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Comptroller — C T Conover

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Background

The Office of the Comptroller of the Currency (OCC) was established in 1863 as a bureau of the Department of the Treasury. The OCC is headed by the Comptroller who is appointed by the President, with the advice and consent of the Senate, for a 5-year term.

The OCC regulates national banks by its power to
- Approve or deny applications for new charters, branches, capital or other changes in corporate or banking structure,
- Examine the banks,
- Take supervisory actions against banks which do not conform to laws and regulations or which otherwise engage in unsound banking practices, including removal of officers, negotiation of agreements to change existing bank practices and issuance of cease and desist orders, and
- Issue rules and regulations concerning banking practices and governing bank lending and investment practices and corporate structure.

The OCC divides the United States into six geographical districts, with each headed by a Deputy Comptroller.

The Office is funded through assessments on the assets of national banks.

The Comptroller

C T Conover became the 25th Comptroller of the Currency on December 16, 1981.

By statute, the Comptroller serves a concurrent term as a Director of the Federal Deposit Insurance Corporation, a member of the Federal Financial Institutions Examination Council and a nonvoting member of the Depository Institutions Deregulation Committee.

A former management consultant, Mr. Conover has dealt extensively with commercial banks and other financial institutions and has concentrated on solving problems in the areas of strategic planning, financial management and operations improvement.

He received a B A degree from Yale University in 1960 and an M B A in finance from the University of California at Berkeley in 1965.

The Quarterly Journal is the journal of record for the most significant actions and policies of the Office of the Comptroller of the Currency. It is published four times a year in March, June, September and December. The Quarterly Journal includes policy statements, decisions on banking structure, selected speeches and testimony, material released in the interpretive letters series, [illegible] statistical data and other information of interest to the administration of national banks. Suggestions, comments or questions may be sent to the Communications Division, Office of the Comptroller of the Currency, Washington, DC 20219. Subscriptions are available for $60 a year by writing to the [illegible], Comptroller of the Currency, Washington, DC 20219.

Quarterly Journal

Office of the Comptroller of the Currency

C. T. Conover

Comptroller of the Currency

The Administrator of National Banks

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Banks and Discount Brokerage—A Sound Combination

Introduction

In recent years nonbank financial providers have developed an increasingly wider range of sophisticated services. Securities firms, in particular, by adopting bank-like powers and using new communications and computational technology, have integrated securities and banking services to provide highly innovative products with broad appeal. Merrill Lynch's Cash Management Account, which offers investment, credit and transaction services in one package, is an example of this.

Commercial banks have recognized that they must offer a wider range of financial services if they are going to prevent their customers from being lured away by these other financial providers. For this reason, they have sought to acquire new powers and to better define and utilize existing powers.

Banks identified discount brokerage—securities brokerage in which trades are not solicited and investment advice is not given—in particular as a service that would enable them to attract and retain customers and that would complement traditional banking services.[1] Banks also recognized the other potential benefits of discount brokerage such as fee income, opportunities for cross-selling, and better utilization of existing facilities.

Prior to 1982, banks' securities activities were generally limited to various trust functions and to dealing in municipal and government securities. In 1982, two banking institutions requested permission from the Office of the Comptroller of the Currency (OCC) and the Federal Reserve Board (FRB) to offer discount brokerage services. The OCC and the FRB approved the activity.[2] The number of banks and bank holding companies offering discount brokerage has since grown to approximately 2,000.[3]

Few doubts remain about the legality of the regulators' decision to allow banks and their affiliates to engage in discount securities brokerage. Nor is there much doubt about how the public has benefited. Banks' offering of discount securities brokerage has provided bank customers with, among other things, a new means of access to securities markets, the added convenience of being able to transfer sales proceeds, dividends and interest payments directly into their bank accounts, and a wider choice of innovative financial products as banks have combined securities brokerage with other products and services they offer. However, some concern persists about whether bank involvement in discount brokerage is consistent with regulators' broader mandate to ensure a safe and sound financial system that preserves public confidence.

This paper addresses the issue of whether brokerage is a sound business for banks by considering banks' rationale for entering the business and the safety and soundness concerns such involvement might pose. The first section provides some background information on discount securities brokerage and explains the reasons why many banks are now offering the service. The remaining three sections consider the safety and soundness concerns by evaluating whether bank involvement in discount brokerage (1) drains bank resources, (2) introduces conflict-of-interest concerns or (3) exposes the bank to new risks.

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[1] Discount Brokerage Advisory Services, Inc.'s survey of banks and thrifts indicated that about 75 percent of those offering discount brokerage cited the desire to offer a full line of financial services as their major motivation for getting into the business. See Discount Brokerage Advisory Services, Inc., *The Bank Brokerage Survey*, 1983, p. 69.

[2] The Comptroller of the Currency acted first in approving Security Pacific National Bank's application to establish a *de novo* discount securities brokerage subsidiary. The Federal Reserve Board subsequently approved BankAmerica Corp.'s acquisition of Charles Schwab, making the establishment or acquisition of a discount brokerage subsidiary a legitimate bank holding company activity under Section 4(c)(8) of the Bank Holding Company Act.

Two important lawsuits resulted from this action. In one, the Securities Industry Association (SIA) challenged OCC's decision to permit Union Planters National Bank of Memphis and Security Pacific National Bank to engage in discount brokerage. In November 1983 the District Court of the District of Columbia upheld OCC's decision by ruling that discount brokerage was a permissible activity for national banks. The Court also ruled that offices of the bank engaged in securities brokerage are to be considered branches and are subject to the geographic limitations of McFadden.

In the other case, the SIA challenged the Federal Reserve Board's approval of BankAmerica Corp's acquisition of Charles Schwab. On July 3, 1984 the Supreme Court affirmed the Fed's [illegible] to permit bank holding companies to offer discount brokerage.

[3] "Discount Brokerage Is Here to Stay and Banks [illegible] Game if They Play it Smart [illegible]" *American Banker*, September [illegible], 1983, p. [illegible].

The Discount Brokerage Industry

Discount securities brokerage is generally distinguished from full-service brokerage in the following ways:

- Trades are not solicited, nor are recommendations and advice given regarding securities transactions.
- Business is attracted through mass-media advertising that generally emphasizes low fees rather than through an active sales force.
- Business is primarily retail, as opposed to institutional.
- Commissions are discounted by 40 percent to 70 percent below those charged by full-commission houses.

Discount brokerage generally attracts astute investors and other traders who do not desire investment advice. A 1983 market survey indicated that while only 1½ percent of all households had active discount brokerage accounts at the time of the survey (compared to 8 percent with active full-service accounts), 20 percent of all households were "very" or "somewhat" interested in obtaining securities brokerage service from a discount broker.[4]

Market Share

Since 1977 the number of discount securities brokerage firms has been increasing.[5] As Table 1 shows, discount brokers' share of retail securities commissions is now about 9 percent of the industry total. The increasing share of the discounters is partly attributable to customer dissatisfaction with full-service brokerage firms—high commission costs and heavy sales pressure.

Table 1

Commissions on Retail Securities Brokerage Total and Discounter Share, 1979–1983
(Dollar amounts in millions)

	Total Retail Commissions	Discounter Commissions	Discounter Percent Share
1979	$3,023	$137	4.5
1980	4,234	237	5.6
1981	3,987	251	6.3
1982	3,131	198	6.3
1983	3,697	331	9.0

NOTE: The 1979–1981 figures for discounters are approximate because the Securities Industry Association's list of discounters for these years, upon which the data are based, is incomplete. Further, the figures do not include discount brokerage activities of depository institutions.
SOURCE: Securities Industry Association, *Trends*, November 25, 1983, p. 23, March 4, 1983, p. 13, July 30, 1984, p. 17.

Despite the increase in their share of brokerage commissions, discount brokers' share of industry revenues has not increased (Table 2). This may reflect the faster growth of revenues derived from the new products and services of full-service brokers, as compared to revenues derived from retail brokerage. The apparent desire of full-service firms to pursue new product lines rather than to fight discounters for retail brokerage share suggests that new discount broker entrants (including depository institutions) can expect limited price competition from full-service brokers.

Table 2

Gross Revenue of Securities Firms Total and Discounter Share, 1979–1983
(Dollar amounts in millions)

	Industry Gross Revenue	Discounter Gross Revenue	Discounter Percent Share
1979	$13,219	$220	1.7
1980	18,594	389	2.1
1981	22,631	359	1.6
1982	26,865	281	1.0
1983	34,786	459	1.3

NOTE: The 1979–1981 figures for discounters are approximate because the Securities Industry Association's list of discounters for these years, upon which the data are based, is incomplete. Further, the figures do not include discount brokerage activities of depository institutions.
SOURCE: Securities Industry Association, *Trends*, November 25, 1983, p. 23, March 4, 1983, p. 13, July 30, 1984, p. 17.

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[4] Alan Edgar, Analyst, Market Facts, Chicago, from *Discount Brokerage Today and Tomorrow*, November 1983, published by Market Facts.

[5] The Securities Industry Association (SIA) identified 160 discount brokerage firms in operation on November 25, 1983. SIA cautions that the number as well as the revenue, expense and profit data on discount brokers may be inexact due to the fact that the information about discount brokers is not uniformly collected by one entity. (The SIA's data was compiled from the New York Stock Exchange and the National Association of Securities Dealers.) See SIA, *Trends*, July 30, 1984.

[illegible] discount brokerage service. The [illegible] Discount [illegible] *The Bank Brokerage Folder*, p. [illegible]

[illegible]

Profitability

Although discount brokerage returns on equity have been impressive and outperformed the rest of the industry in 1979 and 1980 (Table 3), profits have been quite volatile. This is due to the fact that while discount securities brokers' costs are relatively stable, their major revenue source—retail brokerage commissions—tends to fluctuate with the stock market.

Table 3

After-Tax Return on Equity of Securities Firms
All Securities Firms and Discounters, 1979–1983

	Percent of After-Tax Return on Equity				
	1979	1980	1981	1982	1983
All firms	16.1	26.3	19.2	22.0	20.0
Discounters	21.3	30.1	15.5	15.6	21.9

NOTE. The 1979–1981 figures for discounters are approximate because the Securities Industry Association's list of discounters for these years, upon which the data are based, is incomplete. Further, the figures do not include discount brokerage activities of depository institutions.

SOURCE. Securities Industry Association, *Trends*, March 4, 1983, p. 14, July 30, 1984, pp. 4, 16–17.

Bank Involvement

The number of depository institutions now offering discount securities brokerage services is impressive considering that banks did not initiate the service until 1982. The influx of banks into securities brokerage may be explained by three factors.

First and most important, banks recognized the demand for integrated financial services and for one-stop financial shopping. Bankers sensed that a wider and more sophisticated range of financial services was needed to compete with such financial concerns as Merrill Lynch and Sears, which offer attractive financial services packages.

Second, banks viewed discount securities brokerage as a means of enhancing income—directly from brokerage commissions, and indirectly from income on other products and services that could be more effectively marketed in combination with the brokerage service. The latter include, for example, IRAs, securities safekeeping and transaction accounts.

Finally, banks identified discount brokerage as one service that would enable them to capitalize on existing attributes—a positive image, an established customer base and an extensive distribution system.

The prospects for banks' success in offering [illegible] brokerage are good considering that the overall financial picture for the activity is favorable, and consumer interest in this service is growing.

Potential Drain on Bank Resources

A continuing concern of regulators is that approval of a new and unfamiliar activity might weaken banks by diverting talent and resources away from their commercial banking operations. This concern is not significant however, with regard to bank involvement in discount brokerage.

First, discount brokerage is not entirely a "new" activity. Discount brokerage involves little more than effecting transactions in securities for the accounts of others—an activity that banks have long performed for their trust customers and that is very much a part of commercial banking.[6]

Second, the various means of entry and degrees of involvement do not, for the most part, require large commitments of money and personnel. Although banks can enter discount brokerage through a number of avenues, the vast majority of the banks to date have chosen to establish a correspondent relationship with an existing securities firm. This kind of entry incurs minimal start-up costs for the bank and provides instant brokerage expertise.

Many wholesale vendors, such as Fidelity Brokerage Services, Inc. (Fidelity) and Federated Cash Management Systems, offer two basic programs—"limited" and "full-service." Subscription fees for these programs generally consist of an initial set-up fee and a commission-sharing arrangement.

Under the limited option, the bank markets the service, opens customer accounts, and settles (debits credits) the customers' accounts when notified by the vendor of confirmed transactions. The vendor gives customers quotes, takes and processes trade orders, and mails confirmation statements to the customer and bank. The cost of instituting a limited service program is about $2,000.[7] The point at which a bank will break even on this investment is greatly influenced by the number of brokerage accounts opened. Fidelity estimates that the average account generates about five

[6] The expertise and capabilities of the trust department [illegible] accommodate banks' entrance into discount brokerage. For example, the trust department can process transactions for the retail brokerage division through systems already in place [illegible] orders from the bank directly to the trader [illegible] computer system. See "Banks Take Advantage of [illegible] Brokerage Activity," *American Banker*, January [illegible].

[7] Fidelity Brokerage Services, Inc., "A Proposal to [illegible] Discount Brokerage Service [illegible]," February 8, 1984, p. 6.

trades per year with an average commission per trade of about $44. So a banking institution could conceivably break even its first year of offering the service with as few as 300 accounts.[8]

Under the full service option, the bank performs all the services but the trade processing. Involvement of this degree requires about $100,000 to $250,000 in start-up costs,[9] largely depending on the amount a bank must pay in rent, salaries and computer expenses. Approximately 20 percent of the banks subscribing to a vendor program use a limited-service program, 80 percent use a full-service program.

Aside from operational assistance, the vendors may also provide personnel training, marketing advice and assistance, legal advice (particularly in the compliance area), and cost estimates. The marketing expense, probably the most significant expense associated with discount brokerage, is almost always the sole responsibility of the bank.[10]

Banks can also enter discount brokerage by acquiring an established discount brokerage firm. Through acquisition a bank obtains an on-going operation with experienced management and an established customer base. This mode of entry also enables a bank to sell the brokerage service wholesale to other banks and financial institutions. Aside from an initial large capital investment and on-going general supervision, very little else is required from the bank. About a dozen banking institutions, primarily large ones, have entered the business this way.[11] Most have established the discount brokerage operation as a holding company affiliate.

A third option for banks is to establish their own brokerage firms. This involves a bank in every aspect of discount brokerage, from taking orders to executing them on the floor of the exchanges. To enter in this manner, banks must hire knowledgeable personnel and develop the appropriate system capabilities. Because of the financial and managerial commitments required, only one bank, Security Pacific, has chosen to enter the business this way.

In sum, because the majority of banks are initiating discount brokerage through subscription to a wholesale vendor program which requires only limited resources and expertise, or through a separate affiliate of the bank holding company, there should be little concern that a bank will devote a disproportionate share of its resources to the activity.

Conflict of Interest Issues

The traditional arguments against banks engaging in securities brokerage have been based on, among other things, potential abuses or conflicts of interest. Bank involvement in discount brokerage does not, however, pose serious conflict of interest concerns. There is no reason to expect that a bank's lending decisions will be improperly influenced by its desire to retain or increase the use of its brokerage business. A bank would have no economic incentive to incur more risk than usual on a loan to an individual in exchange for an individual's promise to use the bank's discount brokerage service. In light of the fact that the brokerage transactions may not be solicited by law and commission proceeds are relatively small, the implied cost associated with an inferior loan would not be more than offset by the benefit of an individual's use of the brokerage service. For the same reason, a bank would not extend loans to particular corporations that its brokerage customers had invested in in order to boost the corporations' market value and encourage additional brokerage activity.

An OCC rule published in October 1983 pertaining to bank trust department purchases of securities through

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[8] Ibid., p. 7.
[9] "Discount Brokerage Is Here to Stay and Banks Can Win at the Game if They Play It Smart and Define their Goals," *American Banker*, September 12, 1983.
[10] Industry figures show that the average advertising cost to acquire an account is $100. Stephen Dustman, "Bank Discount Brokerage: Alternative Delivery Systems," *Proceedings of a Conference on Bank Structure and Competition*, FRB Chicago, May 24, 1983, p. 341.
[11] A listing of banks and bank holding companies and the discount brokerage firms which they have acquired is as follows:

Bank	*Brokerage Firm Acquired*
BankAmerica Corp. (CA)	Charles Schwab & Co.
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
Security Pacific Nat'l Bank (CA) (Security Pacific Discount Brokerage Services, Inc.)	Kass & Co.
	Kahn & Co.
	Commission Discount Corp.
	Hoenig & Co. (including Stock & Trade subsidiary)
	Gill & Duffus
First Union Corp. (NC)	Salem Securities, Inc.
	[illegible] Securities, Inc.
Union Planters Corp. (TN)	Brenner Steed, Inc.
United Jersey Banks (NJ)	Richard Blackman & Co.

affiliates[12] ensures that bank trust officials keep the interest of their beneficiaries foremost. More specifically, the rule prohibits national banks from charging their trust accounts more than the cost of effecting securities transactions when the transactions are executed through a bank's discount brokerage division or subsidiary or through a bank's holding company affiliate.

Risks That Could Affect The Bank

Earlier, it was argued that, given the nature of discount brokerage, bank involvement in the business would not cause banks to divert talent and resources away from their traditional commercial banking function. There are, however, certain risks associated with discount securities brokerage that could affect the bank. These risks are relatively minor and are generally outweighed by the benefits of offering discount brokerage.

First, a risk is present to the bank when customers fail to pay for their purchased securities or fail to deliver the securities they have sold. Most wholesale vendors stipulate in their agreements with banks that customer delinquency is the sole responsibility of the bank. The risk to the bank is the difference—whether positive or negative—which may exist between the original price of the securities and the resale or repurchase price.

It might be argued that customer delinquency should not be a problem for banks because they have the experience of evaluating the risks of loans and other credit transactions, and customer credit information services are available to assist them. However, some risk is still present because of the relative anonymity of discount brokerage customers and the speed with which orders must be executed.[13]

Another risk involves errors made by bank employees in executing orders. For example, an employee might mistakenly submit an order for common rather than preferred stock. The incidence of trading errors should not be significant, however, if a bank places enough emphasis on employee training. In cases when a bank's brokerage is conducted in an operating subsidiary or holding company affiliate, special training and registration of employees is required because the brokerage operation is subject to Securities and Exchange Commission rules.

Third, loss of confidence in the brokerage operation may reflect on the bank. If customers find that the brokerage operation's security is lax or that there is fraudulent activity in the brokerage office, they may ascribe the same negligence to the bank and withdraw their deposits.[14]

Finally, losses incurred by the discount brokerage operation may present some risk to the bank, although it is extremely limited. Ownership of a discount brokerage firm through a holding company structure insulates the bank from the financial problems of its affiliate. Further, direct bank involvement in discount brokerage, as explained earlier, requires a relatively small financial investment, so losses from the brokerage venture would have a minimal financial impact upon the bank.

The risks cited above can be controlled through effective supervision of the discount brokerage operation. In fact, the OCC has recognized the need for more effective supervision and examination of national banks engaged in discount brokerage and has proposed a rule that would require banks under certain conditions to conduct their discount brokerage business in an operating subsidiary of the bank which would register it as a broker-dealer with the SEC.[15]

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[12] Office of the Comptroller of the Currency, Trust Banking Circular 23, re: Policy of the OCC With Respect to Trust Department Purchase of Securities Through Affiliated Discount Brokerage Companies, October 4, 1983.

[13] Banks need not have an established banking relationship with a discount brokerage customer.

[14] After Charles Schwab was acquired by BankAmerica Corp., it was reprimanded by the SEC for inadequate security due to a 1980 incident in which some investors were defrauded by a Schwab broker. See "SEC Aide Asks Schwab to Audit Internal Security," *Wall Street Journal*, December 19, 1983.

[15] Banks are excluded from the definitions of "broker" and "dealer" under the Securities Exchange Act of 1934, Sections 3(a)(4) and 3(a)(5). Brokerage subsidiaries of the bank or the holding company are not exempt. Most states similarly exclude banks from the definition of broker or dealer.

In November 1983, the SEC proposed that banks be required to register as broker-dealers with SEC due to their expanded involvement in securities activities (discount brokerage) and their active solicitation of business from the public.

The OCC proposed rule—essentially a counterproposal to the SEC's rule—is more moderate than the SEC's. It requires banks to establish an operating subsidiary of the bank and register as a broker-dealer with the SEC if a bank receives a transaction-related fee for brokerage activities conducted on behalf of any trust, managing agency or other accounts to which the bank provides investment advice, and provides brokerage services publicly or through a correspondent relationship and either:

- extends credit to or maintains credit for retail brokerage
- holds retail brokerage customers' securities

With respect to providing brokerage services, banks that conduct fewer than 200 securities transactions in a year would not be subject to the measures. Also free from the rule would be transactions in federal agency, U.S. government and municipal securities. See Department of the Treasury, OCC, "Rules, Policies and Procedures for Corporate Activities; Recordkeeping and Confirmation Requirements for Securities Transactions; Brokerage Activities to be Conducted in an Operating Subsidiary," Docket No. [illegible]

Summary

Evidence suggests that bank involvement in discount brokerage can strengthen banks by enabling them to retain and attract consumers by offering new services and combinations of new and traditional services.

Moreover, there are no reasons from a regulator's perspective why banks should not be permitted to offer discount securities brokerage. First, there is nothing to indicate that banks' involvement in discount brokerage will be a drain on bank resources. The majority of banks entering the business are doing so by subscribing to a wholesale brokerage program involving a relatively small capital investment, or by establishing a discount brokerage affiliate separate from the bank. Further, conflicts of interest appear to be unlikely and the few risks to the bank which were cited—transaction and trading errors, diminished confidence in the bank caused by the brokerage unit's improper conduct, and outright failure of the brokerage venture—may be controlled through effective examination and supervision.

An OCC survey of 500 banks revealed that about 7 percent of the smallest, 17 percent of the middle-sized and 19 percent of the largest banks offering discount brokerage would be affected by the OCC rule. So, the rule would not disrupt the market greatly because only a minority of banks would have to alter their operations in order to comply.

Karen Belfield
Financial Economist
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Operations of National Banks

Strong economic expansion continued into the second quarter of 1984. Real GNP rose 7.6 percent for the three-month period. A reflection of the sustained recovery was the increased demand during the quarter for bank credit. Because of this strong loan demand and banks' increased costs of raising funds, upward pressure on interest rates persisted. By June, the prime rate, which mirrors a bank's cost of funds, had been pushed to 13 percent.

Although the economic recovery was well into its second year, banks continued to experience problems with borrowers in the agricultural and energy sectors and with credits granted to developing countries. Adverse weather conditions severely affected farmers this past year and the world's reduced demand for petroleum products and the resulting drop in energy prices have caused problems for many banks with loan portfolios concentrated in those particular areas. The debts of third-world nations, particularly those in Latin America, continue to require restructuring or renegotiation.

During the second quarter of 1984 total assets of the 4,823 national banks grew by $33.0 billion or 2 percent. A majority of the growth was centered in loans and leases as a result of a significant increase in business borrowing. Gross loans and leases increased by $37.8 billion during the second three months of this year. A majority of the loan increase was financed by systemwide deposit growth of $23.5 billion during the same time period. The balance of the funding for credit expansion came from reductions in bank investment securities (particularly U.S. government issues which declined by $1.7 billion) and interest-bearing balances due from other depository institutions which fell by $7.8 billion. Additional funding was provided by an increase of $8.7 billion in large certificates of deposit.

As of June 30, 1984, net income in national banks measured $3.8 billion. This was down 15 percent from 1983's mid-year earnings figure of $4.4 billion. A primary reason for the decline was the downward pressure exerted on margins as a result of deregulation and the accompanying competition for deposits and other funding sources. Compounding the squeeze on earnings was the fact that non-interest expenses such as salaries, occupancy expenses, and other overhead items have risen faster than income from non-interest sources in national banks. As of mid-year, non-interest income of $8.0 billion was up by $1.4 billion and non-interest expense of $21.6 billion was up by $2.6 billion over last year's second quarter totals for all national banks.

In spite of an improving economy, as of second quarter 1984, non-performing loans had grown and totalled $30.8 billion, up $303 million over one year ago. As a result, loan and lease loss provision expense climbed to $3.8 billion for an increase of $1.1 billion or 41 percent over that of mid-year 1983. Non-accrual loans of $24.5 billion were increased by $4.2 billion from one year ago. Aggregate net loan losses in national banks at mid-year were $3.1 billion in national banks compared to the $2.1 billion posted as of the second quarter of 1983.

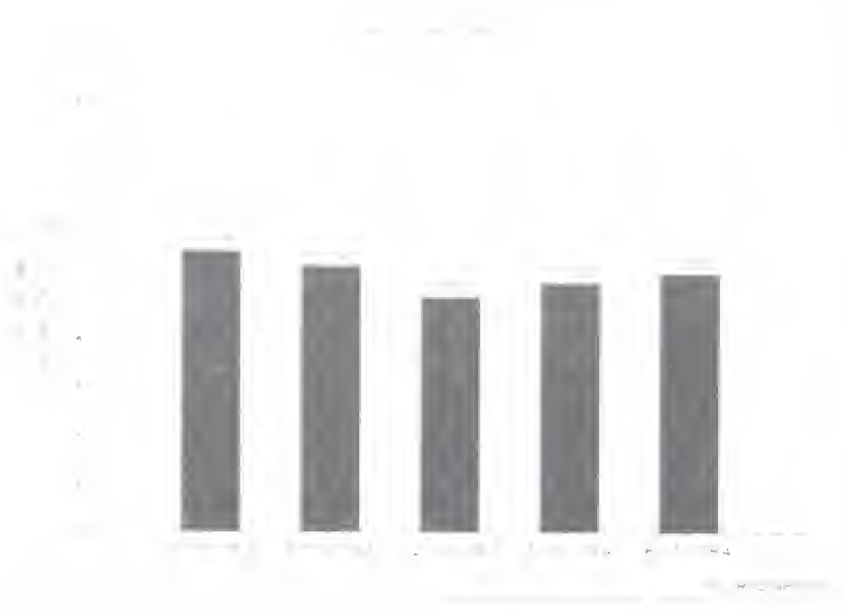
At the end of the second quarter, national banks had paid a total of $1.9 billion in cash dividends, decreasing only slightly from the total of $2.0 billion paid as of June 1983.

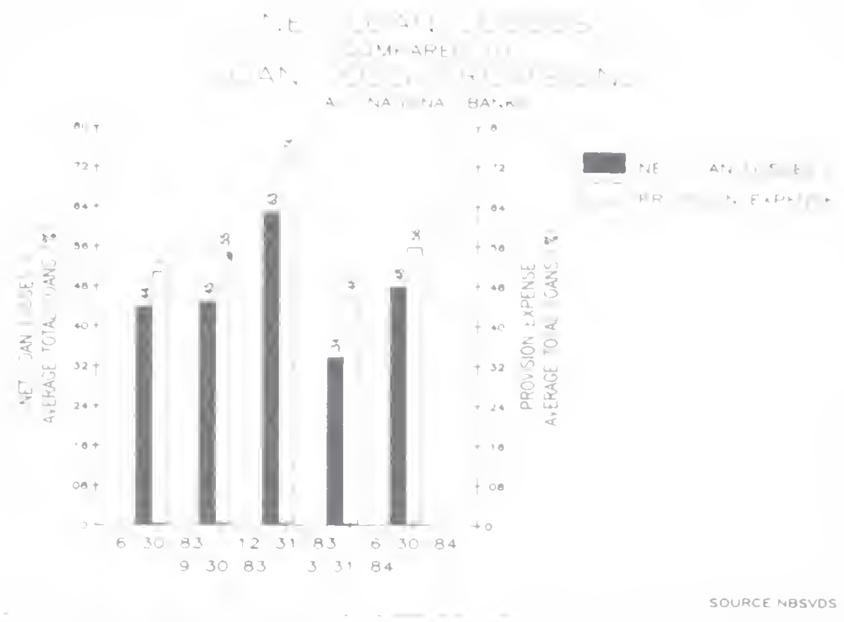
The total amount of primary capital in the national banking system was $93.5 billion compared to $83.5 billion as of June 30, 1983. This increase resulted in large part from conservative dividend policies over the past twelve months and bolstered reserves for possible loan and lease losses.

As of June 30, 1984, 697 national banks had financial, operating, or compliance weaknesses that necessitated special supervision. That represents an increase of 8 percent over March 31, 1984 and 36 percent over June 30, 1983.

Presented below are eight graphs depicting key ratios in the areas of earnings, capital, and asset quality. The numbers presented are averages for each of the five most recent operating quarters for the entire population of the 4,823 national banks active on June 30, 1984.

Woodrow W. Reagan
NBE/Financial Analyst
Community Bank Analysis Division

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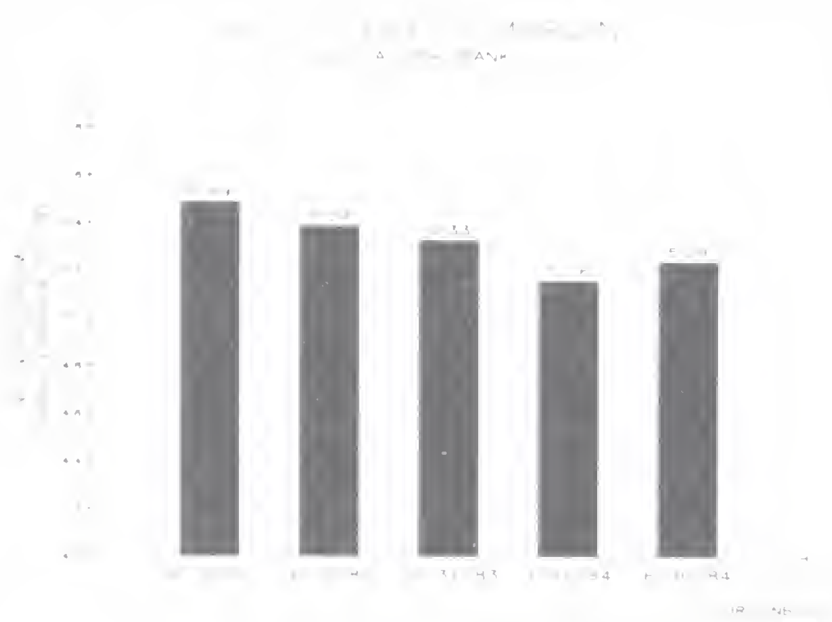

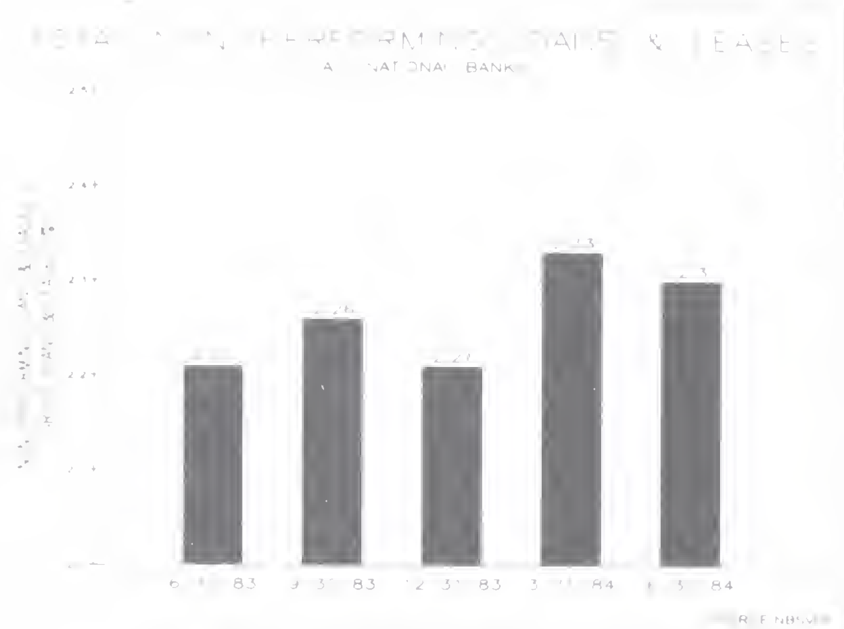
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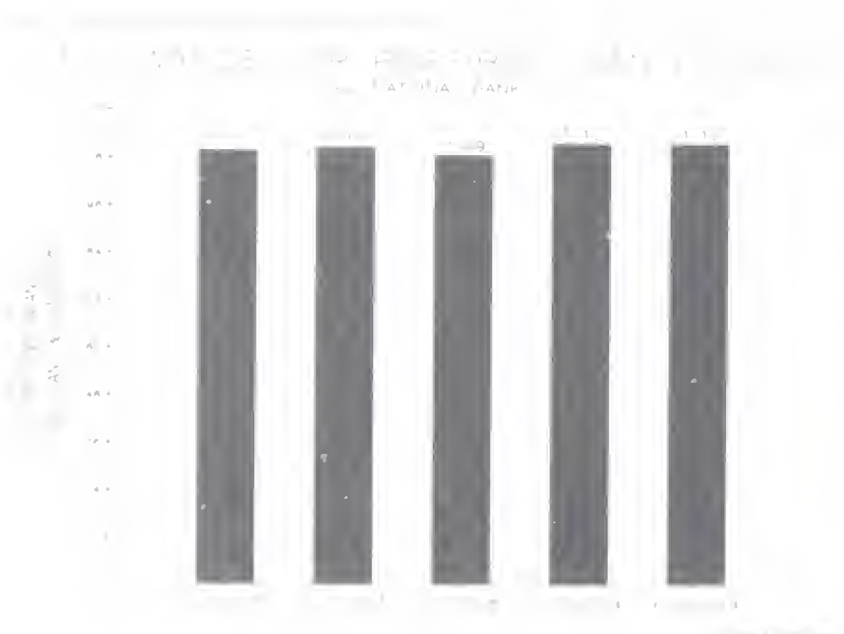

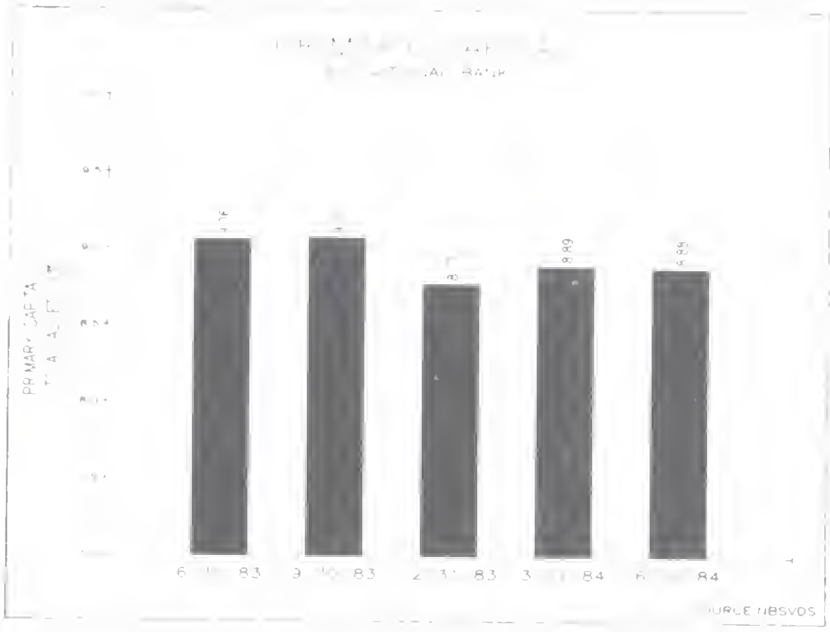

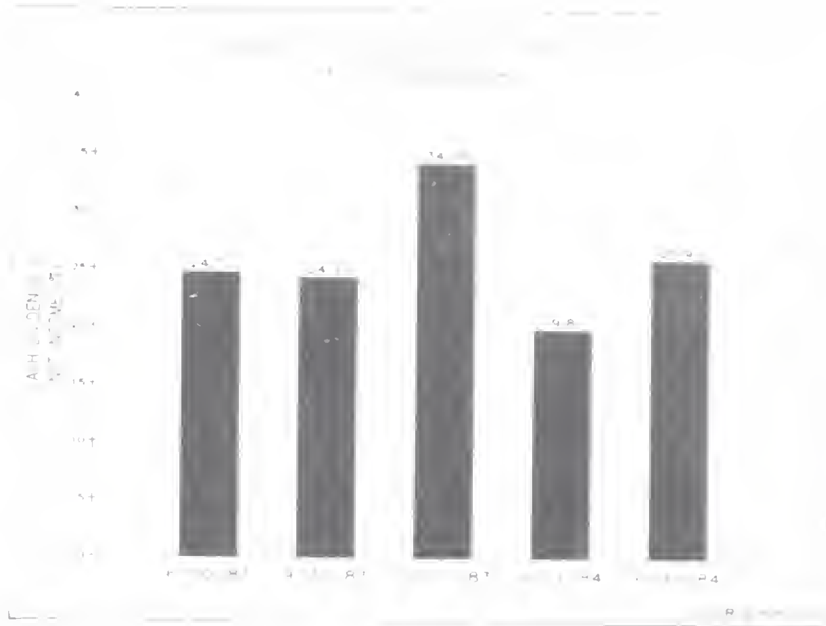

Speeches and Congressional Testimony

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Remarks by James E. Boland, Deputy Comptroller for Industry and Public Affairs, before the Conference of Insurance Legislators, Minneapolis, Minn., August 25, 1984

Commissioner Hatch, distinguished speakers for the opposition, eminent members of the reactor panel, ladies and gentlemen, I am here today to speak in support of the proposition that banks be allowed to enter the insurance business. The issue at hand is not Sears or Prudential versus Citibank. In fact, it is more basic and fundamental than big versus small or industry segment versus industry segment. Some of the barriers that our Congress created 50 years ago to prevent what was then considered an unholy union are no longer relevant. In fact, I will show that a new structure can be developed that will accommodate change while minimizing risk based on today's reality.

Banks, insurance companies, independent agents, consumers, legislators, regulators, and professional groups all have a stake in how these lines will be redrawn. Who will the winners be and who will the losers be? The biggest winner will not be Citibank, nor would the biggest loser be Sears or Allstate. The people who use insurance products, the people who use financial services—the consuming American public—they are the ones who have the most to gain. They would benefit by lower costs, improved services, more efficient and convenient delivery systems, and clearer and wider choices among products and services.

American consumers could pay radically lower insurance premiums because banks could use existing branch and office facilities and apply tomorrow's technology to mass marketing of insurance products today. By conservative estimates, distribution costs would be reduced, on average, from 25 cents of every premium dollar to 15 cents. As a result, a consumer would save $50 a year on a $500 auto policy. As public servants it is our role to assure that consumers receive these savings as long as our public policy objectives are not adversely affected. And I believe this can and must be done.

Additionally, consumers want to purchase insurance from their lead financial institution. Today, that institution remains the commercial bank. In a 1982 survey of 3,014 households performed for the Federal Home Loan Bank Board, consumers ranked obtaining insurance products at their local bank as being more important than ATMs, credit cards, telephone bill paying, trust services, debit cards, stock brokerage services, home banking or even free toasters. And the market is reacting to the demands of its customers. Today, these customers, your constituents, want to obtain convenient, low cost insurance products. By telling them they can't buy them at the local bank, we are sending them off to Sears or some other financial conglomerate that offers the full range of products and services they want.

Furthermore, the consumer's ability to understand and accept buying insurance through depository institutions has already been demonstrated by the long-standing Savings Bank Life Insurance Program in the Northeast. As of 1982, the program accounted for 1.77 million policies valued at $13.7 billion despite a law which prohibits the sale of a policy over $30,000.

So, in considering the proposition, I urge you to focus on the benefits that will accrue to consumers as a result of more vigorous competition. Despite what opponents of the proposition may tell you, the result will not be a commercial banking monopoly of financial services, nor will independent agents be swallowed up or disappear. Rather, success or failure of any firm—be it a bank, large insurance company, or independent insurance agency—will depend on how well it meets market demand, on how well it serves its customers. And that's the way it should be.

In fact, independent agents would actually gain. By working together with banks they could greatly reduce their costs and compete with the large producers. Banks would gain because they would be able to offer additional products through their existing delivery system. And regulators and legislators would gain because the serious threat to a concentration of economic power in the large financial conglomerates would be alleviated.

Despite rumors to the contrary, the future of the independent insurance agent may depend on banks being allowed into the insurance market. Technology has totally changed the world of financial services including the sale of insurance. In order to compete, independent agents must find a way to reduce their costs. After all, small and even large independent agencies have been losing their share of the insurance market to the large direct writers. Most believe that under the present conditions they will continue to lose. However, if they were allowed to bring their

special knowledge and marketing expertise to the local community bank, through either joint venture, lease arrangements, or some other type of mutually beneficial partnership, bank and agent would both flourish. Together they can compete against the likes of Sears or Citibank. And when they do, individuals and small businesses will be able to obtain new products at lower prices from community institutions familiar with their local needs.

So, the proposition is one that is good for insurance agents, good for banks, good for businesses, good for the consumer, and good for the economy. Nevertheless, there are two serious public policy concerns that must be addressed.

First, we must look at the question of tie-ins, or making the purchase of insurance a condition of obtaining a loan. Currently, ten states, including Minnesota, specifically authorize their banks to sell insurance. Some of these 1,400 banks have been selling general insurance since the turn of the century. Yet no one, to my knowledge, has ever identified a pattern of tie-ins or other abusive practices by any of these banks.

Moreover, there are just too many credit alternatives for tie-ins to become a serious problem. In fact, competition is growing in the delivery of loans. And every other company that offers consumer credit also offers general insurance coverage.

Even though consumer coercion by banks is prohibited by Section 106 of the Bank Holding Company Act and by various state laws, more safeguards could be added. In the proposal advanced by the Reagan administration, trade associations would have been allowed to seek injunctive relief on behalf of their members. And in Senator Garn's proposal, banks would not have allowed to solicit for insurance until after the credit decision was made and communicated. The Garn proposal would also have required banks to tell customers that they didn't have to buy the insurance there. And customers who chose to purchase the insurance would have been entitled to a 30-day grace period to cancel policies made in conjunction with a loan. Of course if such restrictive provisions are deemed necessary, they should apply equally to all companies who provide both credit and insurance.

Another major public policy question that must be addressed is separation of fund pools. Commingling different pools of funds could potentially risk the safety of policy holders' and depositors' funds.

This concern can be answered by requiring that companies that conduct bank and insurance operations do so through separate subsidiaries and by maintaining stringent restrictions on interaffiliate transactions. Then, failure of an insurance subsidiary would not affect bank solvency, nor would a bank failure jeopardize the insurance business. Additionally, by restricting interaffiliate transactions, the holding company will not be able to unfairly use government insured deposits to fund growth in other activities, such as insurance, at a cost advantage over competitors that do not own banks.

Combined, these safeguards will protect the safety and soundness of our banking system without adversely impacting state regulation of insurance. At the same time they will preserve the economic benefits of competition for American business and the American people.

In deciding whether or not it is an appropriate time to modify the barriers between insurance and banking, ask yourselves these very important questions.

- Is it right to put the welfare of the consumer behind the interests of an industry?
- Does it make sense to try to stifle the strength of American technology with an antiquated statutory framework?
- And finally, can we allow Sears and a few other companies to offer its customers the services of a federally insured depository institution, a full service brokerage house, a real estate agency, and an insurance firm all under one roof, while denying banks from even offering the full range of insurance products?

Answer these questions as your constituents would, and I believe that you will have no choice but to join me in support of the proposition. Thank you.

Remarks by C. T. Conover, Comptroller of the Currency, at the Institute on Financial Services, University of San Francisco School of Law, San Francisco, Calif., September 13, 1984

"The Impact of New Market Forces on Federal Regulation of Financial Services"

The financial services industry is undergoing the greatest degree of change in its history. We are all participants in that change. As such, we have a vested interest in seeing that the result is a free and competitive marketplace in which everyone has the opportunity to thrive and flourish.

The forces behind the change have been many. Technology has made it possible to do things more quickly and cheaply than anyone could have imagined 50 years ago. The financial market is no longer local; it has become national, even global, in scope. There have been a host of cultural and social changes in our society that have resulted in a more sophisticated and more demanding consumer. As each segment of the financial services industry has tried to react to these changes, the net result has been a significant increase in competition in the marketplace.

Today, I'd like to talk about the impact of these market forces from a regulator's perspective. To do that I will discuss three things:

- Changes in the marketplace;
- Adapting the legal structure to meet marketplace needs; and
- The regulatory response to change.

Changes in the Marketplace

With the advent of high technology, the removal of interest rate ceilings on deposits, the narrowing of interest spreads, and the progress of product and geographic expansion, the direction in which the marketplace is moving is already evident. In the future, all financial service providers will have more extensive product powers and will be able to compete across state lines.

Technology Is Driving Change

Through the computer, technology is totally changing the way we do business. It has enabled many providers to become comprehensive financial intermediaries. Increasingly, it is making networks of brick and mortar outlets obsolete. And advances in voice, data and visual communications are providing advantages to providers who use them wisely.

Soon a network of home terminals will be in place that will give consumers access to financial information any time of the day or night. They will only need a television and a home computer to review investment data once available only to Wall Street account executives. They will be able to transfer funds, purchase stocks or other investments, buy insurance, list real estate and secure the most favorable mortgage terms, all without venturing from their living rooms.

To stay successful, providers need highly personalized, quality products that are backed with simple, straightforward financial advice. In return, the value that is added to their relationship with the consumer will help to increase customer loyalty. Where customers typically went to a dozen different institutions to obtain financial services, soon they will depend on fewer, often only one.

Banks Are No Longer Different

I have yet to mention the word "bank" in describing how the market is evolving. As far as banks are concerned, the legal framework is a barrier that prevents them from developing along the lines I have just described. They are unable to offer the products and services the public demands. The only way that banks will be able to compete is with some fundamental changes in the legal structure governing their operations.

Those changes must come quickly. The future is already upon us. The seeds of change have been planted; they have already sprouted, and it is just a matter of time before they bear fruit. Without some relief, banks will not be there when it is time for the harvest.

Banks can no longer afford to be treated differently or more harshly than other providers. Banks are unique because of the important part they play in our payments system and because they are agents for monetary control. But banks have lost uniqueness in terms of the services they can provide to the public.

While banks wait for Congress to provide them with additional powers, others in the marketplace continue to gain new competitive advantages. Sears [illegible]

ing its financial centers. Merrill Lynch is targeting small businesses for cash management accounts and loans. Realtors are selling mortgages. Grocery stores and gas stations are installing ATM's and charging the bank when the customer uses them. Everyone is selling cash management accounts with lower and lower minimums. In fact, there is no longer a single product or service which is unique to banks—the market has developed many substitutes.

These financial services firms are offering products that previously only banks could offer. They are getting into the banking business, while trying to prevent the banks from getting into their business. It's an example of blatant protectionism, the American consumer ends up the loser. Why? Because when competition is limited, the consumer always loses.

System Can Accommodate More Competition

All of these banklike competitors can operate with fewer product and geographic restrictions than banks. They have helped to make the marketplace more competitive on a national basis and more innovative in terms of products and services. But imagine how much more competitive and innovative the marketplace could be if banks were allowed to compete. And it could be even more competitive if these other providers could own consumer banks and could offer actual banking products instead of substitutes.

Furthermore, consumers of these financial services have shown that they have no special allegiance to banks. In fact, they couldn't care less if the provider is a bank, a thrift institution, an insurance company, or a full service securities firm. What they do care about is whether they can get the products and services they want at a competitive price. If banks can't offer those products and services competitively, customers will simply go down the street to someone that can.

Need to Adapt Legal Structure

So, what needs to be done for banks to be responsive to customer demands? Banks must be free to compete on the basis of price. They must be free to offer the same products and services as other providers. They must be able to compete over the same geographic area. And banks and other providers must be regulated by function rather than by charter. To do that means changing the legal structure governing financial services.

Consumers and Small Businesses Benefit

[illegible] benefit from a change in the legal structure[illegible] financial service providers ben[illegible] from a fair and competitive marketplace, but consumers and small businesses would be the real winners.

As a result, there would be convenient, one-stop shopping for financial services. The public would be able to obtain deposits, loans, insurance, securities, and real estate services from bank holding companies, as well as from other providers.

Then, too, the menu of financial service products would be more varied. Better asset management accounts would be designed by allowing affiliations between depository institutions and securities brokers. Competition would lower the minimum balance requirements of these accounts and make them accessible to even more customers of moderate means.

The public would also benefit from new product innovations. With the ability to integrate different financial services into one package, product designers would have the freedom to creatively combine financial services in new and imaginative ways.

There would be lower costs for insurance and real estate products. Affiliations between depository institutions and insurance and real estate firms would increase competition and result in more efficient distribution systems, thereby lowering costs.

These changes would also increase the flow of credit to housing through pooling mortgages and selling mortgage backed securities. This would make mortgages a more attractive investment and help to make mortgage interest rates more competitive.

In addition, small businesses would receive better services as a result of these changes. Providers would design low-cost cash management services for small businesses by using their ability to offer interest-bearing checking accounts and mutual fund services.

Finally, updating the legal structure governing financial services would result in stronger community institutions. By affiliating with one another, small local providers of financial services such as community banks, insurance agents, and local independent real estate firms would be better able to compete with the large financial service conglomerates like Sears, Merrill Lynch, and American Express.

A free and competitive marketplace would benefit each of us. The issue is not Sears versus Citibank or American Express versus Bank of America. The issue is whether or not the public should receive the best products and services at the lowest price, through the most convenient delivery system.

Comprehensive Legislation Is Needed

In spite of all of these benefits, some people who should know better assert that there has been too much change already. They cite the problems at Continental, the international debt crisis, and the domestic lending problems of many of our banks. If anything, these problems clearly demonstrate the need for further changes. With more powers, bank holding companies will be able to further diversify and gain additional sources of income.

To remain strong, well-managed, and profitable, banks need broader product powers and the ability to offer them over a wider geographic area. Congress should proceed with these necessary changes as soon as possible. But if it is unable to effect the needed changes during this session, that will not diminish the need for broader powers next year. By the same token, if only limited powers are provided, we must work for broader powers next year.

The Regulatory Response

The regulatory response to the changing marketplace and economic environment has been to strongly support fair competition and the free market, while remaining tough on supervision and compliance. We have been doing this by concentrating our efforts on six specific areas.

Strengthening Bank Capital

First, we are strengthening the banking system by increasing primary capital levels. As a result, the 11 multinational banks we supervise have capital levels of 5.13 percent compared to 4.74 percent for year end 1981.

We have also been working with the Federal Deposit Insurance Corporation and the Federal Reserve on a plan that for the first time would require all banks, regardless of size, to have the same minimum capital levels. The 5.5 percent primary and 5 percent total capital levels that have been proposed would strengthen the banking system by adding over $5 billion in new capital to national banks over the next several years.

We feel that higher capital is necessary because of the deterioration in the quality of loan portfolios. For the same reason, we have been closely scrutinizing the banks' reserves for loan losses during the examination process. We want to be sure that these reserves keep pace with the risk in the portfolio and that management has good procedures for assessing the adequacy of reserves. And, we have also been closely looking at bank dividend policies. We will restrict dividend payouts if they are not in line with the bank's capital picture

Supporting Increased Earnings

The second area we have been highlighting is the need for banks to strengthen their earnings position. Banks need to find ways to raise fee income, so we have authorized a number of new activities

We have allowed them to offer discount brokerage and investment advisory services. We have permitted them to operate futures commission merchant subsidiaries, to lease space to insurance agents, to underwrite credit life insurance, and to offer plain English trusts. We have also permitted them to provide common trust funds for the collective investment of IRA contributions. This action has been overruled by a recent court decision here in northern California. Even if that decision is good law, it is bad public policy. It restricts competition for IRA accounts.

Streamlining Corporate Applications

Third, OCC has been speeding up and streamlining the application process to make it less burdensome to banks. We will continue to adopt regulations that make it easier for banks to establish new branches and ATM networks. We have already simplified the process for forming and acquiring operating subsidiaries. We eliminated or reduced the length, complexity, and processing time for many of our applications. In order to expedite the legal review process on matters involving routine banking activities, we have begun the practice of sending "no action" letters. That simply means that if we accept the facts and legal opinions presented by the bank, we send a letter stating that we have no objection to their proceeding with the activity.

Increasing Disclosure

The fourth area we have been stressing is disclosure. A proposed regulation on disclosure is out for comment now. In a competitive environment, regulators need the assistance of the market to maintain the health of the system. We have also been taking special steps to ensure the accuracy of the information we receive. That is why we now require all banks to use accrual accounting in their public reports. And recently OCC took enforcement actions against six major banks and required them to restate some of their financial information to eliminate "window dressing" that could mislead depositors, investors and regulatory agencies

Improving Examination Techniques

The fifth area we have been concentrating on is improving our examination techniques. We are [illegible]

increasing the effectiveness of our examination staff by using new types of exams that focus on specific problem areas such as energy loans and the adequacy of loan loss reserves. And we are using technology to our advantage. Examiners now bring microcomputers right into the bank to help them during the examination.

Maintaining Strict Enforcement Policy

The final area we have been giving emphasis to is the use of tough enforcement for either violations of the law or imprudent banking practices. While we're permissive on what products and services can be offered, when a bank fails to act responsibly, our policy is to come down on them like a ton of bricks.

For instance, last year we took 274 formal actions against banks compared to 156 for the previous year and only 65 in 1978. These actions have been taken against banks of all sizes. We have outstanding enforcement actions against 17 percent of the banks with assets over $1 billion and 12 percent of the banks with under $1 billion in assets. Last year, we also imposed civil money penalties against 127 bank officials. To put that into perspective, in 1981 we imposed only 19. The public demands a lot more from bank directors and bank management and so do we.

Conclusion

So we can see that changes in the marketplace and economic environment have had a dramatic effect on the regulation of financial services. Today, we are stuck with a sadly neglected legal structure meant for another time and different circumstances. Regulation alone will not make up for decades of neglect.

That is why it is of paramount importance for Congress to take up the issue of promoting fair competition in financial services. The continued viability of our banking system depends on their action. And when Congress does change this legal structure, it must hold the interest of the American consumer and the business community above that of a few protectionists with strong lobbies. The financial service marketplace must be run in the public interest, not for special interests. Thank you.

Statement of Michael A. Mancusi, Senior Deputy Comptroller for National Operations, before the Senate Committee on Banking, Housing, and Urban Affairs, Washington, D.C., September 19, 1984

Mr. Chairman and members of the Committee, I appreciate the opportunity to express the views of the Comptroller's Office on S. 2898—The Banking Convenience Act of 1984. These comments do not necessarily represent the views of the Administration. This bill would preserve the ability of national and state member banks to participate in shared automated teller machine (ATM) networks, and protect the widely accepted consumer benefits which are now placed in jeopardy because of the recent district court decision in *Independent Bankers Association of New York State v. Marine Midland Bank*.

S. 2898 provides that a shared ATM should not be considered a branch of a national bank if the ATM is not owned or rented by that bank. Thus, it would preserve the status quo by codifying the current interpretation of law that led to national and state member bank participation in shared ATM networks. It presents a timely and important piece of legislation which overturns the broad and harmful precedent set by the *Marine* case. Because of the importance of ATM networks, and because of the detrimental effect that the *Marine* decision would have on ATM networks, I strongly support S. 2898 and recommend its prompt passage.

Growth of ATM Networks

As you know, in 1976, the District of Columbia Circuit Court held in *IBAA* v. *Smith* that an ATM which is owned or rented by a national bank is a branch of that bank, and therefore restricted by applicable state branching laws. Consequently, the Comptroller interpreted the Circuit Court's opinion to mean that ATMs that are not owned or rented by a bank are not branches of that bank for purposes of the federal banking law. The practical effect of this reading is that if a national bank provides customers access to an ATM network established by other institutions by paying, for instance, transaction fees, such access is not restricted by state branching laws or the federal prohibition on interstate branching.

Relying on the 1976 *IBAA* decision, both national and state member banks have been able to participate in the dramatic growth of ATM networks. In 1980 there were relatively few networks. Today, there are at least 200 regional networks, seven of which operate nationwide. Five of the national networks encompass more

than 9,000 ATMs and over 5,000 financial institutions. The nine largest regional networks consist of over 7,000 ATMs and 2,700 financial institutions. Put differently, as of 1983, the customers of 7,500 banks were using 16,000 ATMs that were connected to shared networks. These ATMs processed about 60 million transactions a month. Thus, shared ATM networks have become an integral part of the nation's commercial fabric.

The *Marine* decision has placed all these extensive network arrangements, and the public benefits derived from them, in jeopardy. In that case, the district court held that, by allowing its customers to use an ATM established by a grocery store, Marine Midland Bank was engaged in illegal branching. This decision has already had a chilling effect on the development of new networks. Banks are putting plans for future shared networks on hold until the outcome of the *Marine* case is clear. If the decision is upheld, not only will the future development of networks be halted, but the existing networks would also become unravelled. Many institutions would stand to lose millions of dollars invested in currently operating shared networks. Finally, and most importantly, the *Marine* decision imposes hardships on bank customers who could no longer benefit from the proliferation and convenience of shared ATMs.

Effect of S. 2898 on ATM Networks

S. 2898 would reverse the *Marine* decision and would preserve the status quo under which the banks, the OCC and the Federal Reserve have been operating since 1976. The bill would prevent the dismantling of existing ATM networks and preserve the significant benefits provided by ATMs to consumers, participating financial institutions, and the economy in general.

For the consumers, shared ATM networks mean greater convenience as banks' services are available in a larger geographic area and in more locations. No longer need the customer choose between a financial institution which is located either close to the home or the work place, but can have access to his/her financial institution even in the course of today's hectic and highly mobile life styles.

ATMs also provide greater time convenience to customers. They allow consumers to transact business with banks more quickly, and usually during more convenient and flexible hours as many ATMs offer 24-hour access.

Perhaps the greatest benefit to consumers from shared ATMs is that they result in bank services at lower cost. The large number of network members and the large transaction volume creates economies of scale which, in turn, reduce the cost of financial services to the consumer. It is no wonder that consumers have quickly embraced the benefits of ATMs and demanded more.

ATMs also provide significant benefits to participating banks. The networks allow member banks to serve their customers without investing in expensive brick-and-mortar branches or even in their own ATMs. This is especially important for small banks that often cannot afford the high front-end investment expense. Shared ATM networks also allow participating institutions to benefit from proportionately lower overhead costs as the volume of ATM use increases.

Effect of the Proposed CSBS Amendment

As you requested, I will also comment on the amendment proposed by the Conference of State Bank Supervisors (CSBS). This amendment would allow states to regulate the location, ownership, operation and permissible functions of ATM networks even when these networks are established by federally chartered institutions. We do not support this amendment, as it represents a step backwards for the bank customers. If enacted, it would encourage more restrictive state regulation of ATMs in the future, a result clearly detrimental to bank customers.

The CSBS version would allow states to prohibit the participation of out-of-state banks in its networks—for instance, Kansas law already prohibits an out-of-state bank from participating in a network in that state. Second, a number of state laws impose restrictions on the kinds of services that customers may get through shared ATMs. Third, this amendment would allow states to regulate and supervise networks established by federally chartered institutions. Needless to say, this would lead to red tape, duplicative expenses, and unnecessarily burdensome regulation, the cost of which ultimately will be borne by bank customers.

Finally, we believe the CSBS amendment would result in additional litigation and, therefore, delays in the development of ATM networks, because it states that a shared ATM is only presumed not to be established by a national bank. This presumption would place the entire issue back in the courts. The bill should clarify for the courts the Congressional intent with respect to ATMs, not invite the courts to ascribe motives to this Congressional measure.

Conclusion

In conclusion, both the consumers and the banking industry have benefitted from the advent of the ATM

and shared ATM networks. Allowing the *Marine* decision to stand would mean a giant step backward for the American consumer. I urge Congress to preserve the status of existing ATMs and the ability of financial institutions to develop new shared networks by enacting S. 2898.

Statement of C. T. Conover, Comptroller of the Currency, before the House Committee on Banking, Finance, and Urban Affairs, Washington, D.C., September 19, 1984

Mr. Chairman, members of the Committee, I am pleased to be here to discuss Continental Illinois National Bank and Trust Company (Continental). The serious problems encountered by Continental and the regulators' actions concerning Continental are obviously a matter of public concern and deserve a thorough review by Congress and the public. It is my hope that these hearings will generate a broader understanding of the bank regulatory process, and the events surrounding the financial deterioration of Continental and the ensuing federal assistance. I would like to express my appreciation to the members of the Office of the Comptroller of the Currency (OCC) staff as well as the other financial regulatory agencies who have devoted countless hours in working toward a resolution of Continental's difficulties.

In the spring of 1984, Continental began experiencing liquidity problems that reached crisis proportions in May. The liquidity problems resulted from a rapid decline in market confidence brought about by severe deterioration in the quality of Continental's loans.

On May 17, a temporary assistance program was implemented by the federal regulators to allow time to work out a solution while minimizing any adverse impact on global financial markets. The long-term solution, which was announced July 26 and on which shareholders will vote on September 26, is intended to restore Continental to health and allow it to continue to serve its marketplace without interruption.

I fully appreciate the Committee's need to receive full and complete information on this Office's supervision of Continental. For that reason, we have provided the Committee's staff complete access to all OCC documents relating to the condition of Continental and our supervision of the bank. At the same time, we have been careful to protect the legitimate rights to privacy of bank customers and other third parties. I hope that these hearings will also contribute to the Committee's understanding of what happened at Continental.

There are many important aspects to the Continental situation that need to be aired at these hearings. I can [illegible] of the bank itself, and this Office's supervision of it. I understand the FDIC will discuss the temporary assistance plan and subsequent long-term solution. Similarly, the holding company, Continental Illinois Corporation, and certain aspects of the federal assistance plan are more appropriately discussed by the Federal Reserve.

Today, I will address what happened at Continental by first describing the economic factors that have buffeted Continental—and other banks—since 1980. These include back-to-back recessions as well as a sharply declining energy industry. Second, I will briefly review the internal policies and practices at Continental that rendered it incapable of weathering these adversities. Fundamentally, the bank undertook an aggressive growth strategy without adequate safeguards against the ensuing adverse events. Third, I will discuss what we could have done differently. Finally, I will focus on what we are doing to assure the continued safety and soundness of the banking system. The Appendix includes a 10-year chronology of Continental's internal policies, strategies, and decisions; describes the prevailing economic environment; and details this Office's supervisory involvement with the bank.

Economic Problems Have Impaired Bank Performance

The 1980s have been difficult years for the banking industry. In early 1980, a recession caused real economic growth to drop sharply. By mid-1980 the economy was growing again, but that recovery only lasted 12 months. In mid-1981, the economy fell back into a recession that lasted 17 months. This latter recession proved to be deep and pervasive, with virtually no sector of the economy left untouched. It was a particularly difficult recession because unlike most, it was not accompanied by declining real interest rates.

Although the economy as a whole is now experiencing a strong recovery, the pattern of back-to-back recessions was particularly hard on lending institutions. Loan quality typically begins to deteriorate after an economic slowdown begins, and continues to decline well into the recovery. When the 1981 downturn oc-

curred, banks were still dealing with increasing loan losses from the 1980 recession. The second downturn not only added new problem loans, but hindered attempts to work out existing problem loans. Many loan portfolios, thus, have continued to deteriorate since 1980, and many banks are still having problems stemming from the recessions.

In addition to having to contend with the effects of the two recessions, many banks have also been affected by the severe problems in the energy industry over the last few years. Oil prices began to drop sharply in early 1980. Although they rose again during the last half of 1980, by 1981 oil prices were clearly on a downward spiral. This caused a sudden and unexpected decline in the profitability of energy exploration and production in late 1981. Banks that had lent money to a booming industry suddenly found many of their customers facing severe financial difficulty, and in many cases, bankruptcy. The energy sector continues to be a problem area for lenders today, as oil prices continue to soften.

These economic factors have posed challenges to all bankers. In an earlier era of strong domestic and international economic growth and relatively stable interest rates, bank managements' abilities were not sorely tested. However, over the last few years, the margin for error in banking has shrunk dramatically.

Most U.S. banks have weathered these difficulties with impressive resilience, but almost all have felt some impact. Return on assets and return on equity are down for the industry as a whole. Asset quality is still suffering, with net loan losses rising even faster for large banks than for small.

One important consequence of the industry's problems has been a heightened public concern about the condition of U.S. banks. Market confidence is an unpredictable but crucial element in the stability of individual banks and the banking system as a whole. Whether a bank survives adverse circumstances is often a matter of whether the market allows it the needed time to work out problems. In the case of Continental, the market didn't provide this needed time.

What Happened at Continental?

The difficult economic environment had a particularly devastating effect on Continental. Its problems stemmed from management strategies and policies that depended on strong growth in the economy in general and the energy industry in particular. These strategies and their consequences are detailed in the Appendix to this testimony. In sum, Continental adopted a policy of rapid growth that was not accompanied by the necessary management controls and policies to maintain adequate asset quality in the face of an economic slowdown and a declining energy industry.

Management Strategy Showed Early Signs of Success

Continental management announced its decision in 1976 to become one of the top three banks lending to "Corporate America." Located in the heart of industrial America, Continental was already the leading commercial lender in the Midwest. Moreover, because it could not establish a significant retail customer base due to state restrictions on branching, the bank's corporate lending function was a natural area for expansion. Continental set out to quickly become a major lender to corporate customers.

In implementing this goal, Continental adopted a strategy of decentralized lending that permitted its account officers to respond to customers and make loans more quickly and competitively. Although this approach required fewer controls and levels of review, management believed the potential rewards of such a strategy outweighed the associated risk. Management felt confident about the depth and experience of the bank's staff and its analysis of the direction of the economy. Obviously, this judgment proved to be incorrect.

Continental's management targeted the energy sector for its most aggressive lending expansion. During the latter half of the 1970s, the United States was attempting to develop a program for energy self-sufficiency in the face of uncertainty about actions of the OPEC nations. The 1973 oil embargo had propelled energy independence to the forefront of our national goals. Prices were skyrocketing the gas lines forming when Continental targeted energy lending as an area for growth. The federal government was giving serious consideration to gas rationing and even printed one million rationing coupons.

The Administration and Congress in 1977 emphasized the critical nature of energy to the United States by establishing a separate Department of Energy. At that time, some economic analysts were projecting the price of oil to increase to some $60 a barrel. In June 1980, Congress enacted the Energy Security Act establishing the Synfuels Corporation and authorizing $20 billion for synthetic fuels development.

Continental's management strategy of rapid growth with a specialty in energy was quite successful for several years. During the late 1970s, Continental out-

outperformed its peers in growth, earnings, and market perception, and its loan loss record was excellent. In 1978, Dun's Review described Continental as one of the five best managed companies in America.

Asset Quality Ultimately Deteriorated

In 1981, the very strategy that generated praise began to turn against Continental. A slowing economy meant that the quality of available lending opportunities was deteriorating at the same time that Continental was increasing its corporate lending, inevitably resulting in the making of loans to weak borrowers. In addition, many of Continental's existing corporate borrowers were seriously affected by the back-to-back recessions; existing loans to these companies became problems. By 1982, it became clear that the bank's rapid growth had been achieved at the expense of asset quality.

The declining energy industry in late 1981 dealt a particularly serious blow to Continental. The end of the energy boom put a severe strain on the bank's energy-producing borrowers. Many of Continental's energy loans, which had been performing well and had been extremely profitable, suddenly turned into serious collection problems.

Continental's problems in the energy area were twofold. First, it had a heavy concentration in oil and gas loans that left the bank extremely vulnerable to the industry's sudden decline. Since July 1982, oil and gas loans have accounted for approximately two-thirds of the bank's losses, although those loans have averaged only about 20 percent of the total loan portfolio.

Second, from 1980 to 1982, the bank had purchased a large volume of energy loans from Penn Square Bank, N.A. The quality of these loans proved to be very poor, particularly those loans that were purchased in late 1981 and early 1982 when Continental's growth was peaking. Loans purchased from Penn Square constitute a disproportionate amount of Continental's losses. During our May to November 1982 examination, for example, Penn Square loans accounted for approximately 3 percent of all Continental's loans. However, they accounted for 16 percent of classified loans and 65 percent of the charge-offs directed by our examiners.

Inadequate Management Controls Permitted Huge Losses

Considering the disproportionate contribution that Penn Square loans made to Continental's losses, it is important to analyze how such a questionable relationship could develop in a bank that had been a top performer for so many years. It now appears that Continental's purchase of problem loans from Penn Square involved significant misconduct on the part of officers of both institutions. There are also indications that criminal fraud may have been involved. In fact, on September 10, 1984, William G. Patterson, the former head of Penn Square's energy lending division, was brought to trial on a 34-count indictment that charged, among other things, that he engaged in deceitful and fraudulent conduct to conceal his illegal banking practices from OCC examiners and the banks that purchased loans from Penn Square.

However, the problem extends beyond employee misconduct. Management processes should be in place to guard against and detect employee misconduct as well as other risks. These include policies and controls governing loan approval, review, and classification; mechanisms for determining provisions for losses; loan workout functions; management information systems; and loan officer compensation systems. For banks such as Continental that undertake aggressive growth strategies, top quality controls are essential.

Continental's management controls were the subject of considerable attention in our examinations over the past 8 to 10 years. Although we judged the bank's system of loan controls to be generally satisfactory, we directed a number of specific improvements. For example, we cited, at various times during the period from 1974 to 1981, problems with the past-due loan report, the completeness of credit files, the identification and rating of problem loans, and collateral deficiencies. Bank management was generally responsive to our concerns and made a number of improvements in its systems for controlling and detecting risk in the loan portfolio.

These improvements were not enough. In retrospect, it is clear that there was not sufficient management support for the control systems. Top management had created an environment where aggressive lending was not only condoned but encouraged. In this atmosphere, a high quality system of controls was secondary. Moreover, those warning signals that the existing system did generate were ignored by senior lending officers.

In the final analysis, the bank's internal controls did not prevent the purchase of massive amounts of bad loans from Penn Square. With the benefit of hindsight, it is clear that our generally favorable assessment of Continental's internal controls was overly influenced by the bank's outstanding performance during the years 1974 through 1981.

Continental Was Dependent on Volatile Funds

Although Continental was weakened by asset deterioration, its losses never exceeded capital, and thus it never reached book insolvency. Rather, its near-collapse was triggered by funding problems. Beginning in the second half of 1982, the bank was forced to rely increasingly on foreign funding, as federal funds and certificates of deposit rapidly eroded. For almost 2 years, the overseas funding provided Continental with relatively stable, much needed liquidity. It also made the bank vulnerable to the liquidity problems that occurred in May 1984 when uncertainty about Continental's condition caused the overseas markets to close completely.

Clearly Continental's reliance on uninsured, short-term funds meant that it was particularly vulnerable to a loss of confidence. However, Continental's earlier decision to become a major corporate lender made the wholesale market a natural funding source. The wholesale market was practically a necessity given the restrictive branching statutes in Illinois that made establishment of a broad retail customer base difficult.

Although reliance on uninsured, short-term funds makes a bank sensitive to market perceptions, it is not by itself an imprudent banking practice. If a bank maintains sufficient liquidity and asset quality, periodic shortfalls in funding can be readily accommodated.

In Continental's case, the heavy reliance on wholesale funds was not accompanied by enough liquidity to sustain it through funding shortages. The bank's aggressive lending strategy was pursued to the exclusion of sufficient liquidity, resulting in a higher proportion of loans relative to assets than any of its peers. Even an extremely conservative liquidity position would not have protected Continental from the major funding crisis it experienced last spring. Nevertheless, it is an area we could have paid more critical attention to; we are doing so in large banks now.

Continental Never Regained Lost Confidence

It became clear, during our examination that began in May 1982, that Continental's management practices and policies had led to serious loan problems. We responded to this in a number of ways. We extended our examination through November. During the course of the examination, we directed Continental to begin a number of corrective measures, which were immediately initiated by the bank. We informed management of our intention to formalize these directives by placing the bank under a Formal Agreement, enforceable under the cease and desist authority of 12 USC 1818. My staff and I met several times with senior management and board members over the next few months to discuss the bank's condition and the impending Agreement.

The Agreement required improvements in numerous areas, including loan policies and procedures, asset and liability management, and funding. It also required regular reports by a board committee on the bank's compliance with the Agreement. Bank management complied with the terms of the action and took significant steps to revamp its operations. However, the loans that crippled Continental were already on the books.

Market confidence had begun to turn against the bank in July 1982 when its Penn Square loan problems surfaced publicly. Despite nearly constant OCC supervision and presence in the bank over the next 2 years, and the efforts by bank management and the board of directors, Continental was unable to fully regain market confidence. In May of this year, the market reacted adversely to rumors of further problems at Continental, and large depositors began withdrawing funds. The bank was unable to stem the run, and federal intervention was required to prevent the bank's collapse.

What Could Have Been Done Differently?

An obvious question that we and others have asked is whether there was anything that the OCC should have done differently in the course of Continental's deterioration. In addressing this question, it is important first to clarify the role of the bank supervisor.

The Supervisor's Role Is to Maintain Systemic Soundness

Short of nationalizing the banking system, no bank regulatory system can prevent all bank failures. I do not believe that the American public would support either the cost or the kind and degree of regulation and supervision that would eliminate all possibility of failure. To do so would require removing all risk-taking from banks, and would make banks unable to carry out their role as financial intermediaries in fueling the nation's economic growth. At the same time, however, it is clear that the nation is not well-served by a banking industry where the potential for failure is unrestricted.

Our charge is to maintain the safety and soundness of the national banking system. To do so requires sufficient oversight of and interaction with bank management to minimize the likelihood of bank failure. We do not take over and manage institutions; we cannot substitute for private management in making lending or any other decisions. The primary responsibility for any bank's performance rests with its management

and board of directors. However, as supervisors we do monitor risk exposure, work to see that policies and controls are appropriate to that level of risk, and enforce compliance with the law. When we identify major weaknesses, we institute corrective measures, and follow up on their implementation. This results in significant improvement in the vast majority of institutions that we identify as having problems.

For some institutions, even prompt and stringent corrective measures are unsuccessful. The safety and soundness of the banking system also requires allowing such poorly managed, financially weak institutions to disappear from the system in an orderly manner. In an important sense, this is what has happened to Continental. The doors are still open, but the officers who allowed the bank's deterioration are no longer part of Continental. Moreover, those that bear responsibility for approving management policies have paid a price. The shareholders face substantial if not total loss, and the directors and former management face potential legal liability.

Could OCC Have Taken Other Actions?

The demise of Continental was clearly not desirable. It would have been far better if management had made better decisions and taken actions that would have been more appropriate for the ensuing circumstances. It would also have been preferable if we as supervisors could have done something to change the course of Continental.

As we review the history of Continental, it is possible to identify several points in time and ask whether it would have been appropriate for the supervisors to step in forcefully to change the course of the bank's direction. We did this, of course, after our 1982 examination when we took a formal enforcement action against the bank. Most banks, including Continental, respond to this type of corrective measure. What made Continental different from most of these cases was that the market did not wait for the bank's recovery plan to restore it to health.

I am persuaded that since mid-1982, there was nothing more that we could have done to speed Continental's recovery and thereby increase market confidence. One possible action was to force out top management in addition to those dismissed following the failure of Penn Square. We decided not to do this, for several reasons. First, existing management had proven more capable than most at bringing the bank out of the earnings difficulties that many large banks faced following the REIT problems of 1975 and 1976. Second, management recognized the bank's problems and had put a program in place to identify and correct them. Finally, a thorough, independent management review undertaken by the board of directors in mid-1982 had indicated which officers had been directly responsible for the Penn Square loans, and those officers were removed.

One other possibility would have been to force the bank to curtail dividend payments. However, management and the board of directors felt that maintaining dividend payments was crucial to regaining market confidence and to raising additional capital. Moreover, the amount of money involved would not have added appreciably to capital. In all, once the bad loans were on the books, OCC—and the bank—took every action that could have been reasonably expected to restore Continental to health.

We have asked ourselves whether we should have taken action as early as 1976 to prevent Continental from embarking on a course of rapidly becoming a top lender to corporate America. In my view, it would have been inappropriate to have done so. It is not the proper function of regulators to decide what business strategy an individual bank should undertake. The regulator's role is to see that whichever business strategy a bank chooses, it has the mechanisms in place to implement that strategy in a safe and sound manner.

In retrospect, it is clear that management, buoyant with the bank's years of financial success, placed too little value on risk control mechanisms in the implementation of its strategy. Continental's record shows that neither financial success nor the esteem of the financial community that flows from that success can substitute for sound and effectively enforced controls.

If there is anything that OCC could have done differently, I believe it would have been to place more emphasis on our evaluation and criticism of Continental's overall management processes. Had we done so, we might have been alerted to management's lack of commitment to controlling risk sooner than 1982. Had we been less swayed by management's successful track record from the early 1970s through 1981 and its previous responsiveness to our supervision, we might have been able to see more clearly the risks inherent in its rapid growth strategy.

Safety and Soundness Must Be Maintained

Continental's demise has highlighted the need for banks and supervisors to continue to work to maintain the public's confidence in individual banks and the banking system as a whole. All reasonable steps must be taken to strengthen the ability of banks to weather

adverse circumstances and thereby earn the continuing confidence of depositors. I would like to focus briefly on seven areas where the OCC has taken steps to enhance its examination and supervision and to strengthen the banking system.

1. Supervisory Techniques Continue to Be Improved

The OCC's supervisory process has continued to improve as technological innovations have been made and industry conditions have changed. In the aftermath of Penn Square's failure and the problems experienced since mid-1982 by Continental and other banks, we have made a number of improvements in our supervision of national banks generally, and of large banks in particular.

Our supervision of banks of all sizes has been enhanced by the establishment of an Industry Review Program. This program includes a computerized information system to collect data on industry concentrations in individual bank portfolios and the banking system as a whole. Through the use of outside information sources we are monitoring significant industries in an attempt to better anticipate developments that might result in problems for banks. Our examiners will use the information in their analyses of individual banks to identify concentrations and to help position banks to withstand problems emerging from them.

Industry analyses and developments will be available to each examining team through its own portable microcomputer. Each team is being provided with extensive training in the full range of analytical techniques and will be equipped to perform more sophisticated analyses of banks' activities than were possible previously.

The near-complete development of two additional computer systems will provide us with a much improved ability to respond to examination needs and follow up on examination results. The first will facilitate examination scheduling by establishing system priorities. The second is our Supervisory Monitoring System, an automated tracking system that provides our examiners with access to all supervisory information sources, particulary examination findings and recommended actions. This will require a more orderly tracking and efficient follow-up of important supervisory concerns.

We have also taken steps to ensure communication within the OCC of examination findings on individual banks that may affect other banks in the system. These steps include changes in OCC internal procedures, examination manuals, and training. A newly developed course for evaluation of problem banks, in particular, addresses this concern.

Our multinational bank program has been expanded and we are examining multinational banks more frequently than in the past. Our examinations are targeted on the areas of supervisory concern and take place 2 to 3 times a year, rather than annually. Moreover, we have reorganized and significantly increased our resources committed exclusively to the supervision of our largest banks. A corps of our best and most senior examiners has been devoted solely to supervision of the multinational banks. In addition to the more frequent examinations we have undertaken, the examiners will also monitor trends and developments in the banks between examinations. This new approach results in near-constant supervision of each of our large banks.

We are now better able to identify and devote attention to items of supervisory concern in individual large banks and significant practices emerging in the large bank populations as a whole. We are committed to continually improve our supervisory process and to maintaining an examination force that, in its training, support systems and overall quality is of the highest caliber.

2. Internal Controls Must Be Emphasized

The OCC is placing more emphasis in the examination process on banks' internal controls and systems. This includes increased testing of control procedures and their application, and more stringent follow-ups to ensure that internal control deficiencies are corrected.

To accomplish this, we are focusing our examiners' attention on four basic control questions:

- What systems are in place to permit early detection of actions or trends that, if continued, might seriously affect the bank's condition;
- What actions are taken by senior management once adverse trends and deficiencies are disclosed;
- What individuals in the bank are in a position to materially affect the accurate recording of transactions; and,
- What safeguards are in place to mitigate the chance that individuals could conceal irregularities from their superiors, bank auditors, and examiners.

These questions are particularly important in the area of problem loan identification systems and will receive greatest attention in that area.

In 198[illegible], the OCC issued specific procedures that banks must follow when they purchase loan participations. The circular explains that the purchase of loans and participations in loans may constitute an unsafe and unsound banking practice in the absence of documentation, credit analysis, and other controls over risk. The circular also warns banks that the absence of satisfactory controls over risk is unacceptable and may cause the OCC to seek appropriate corrective action through enforcement actions.

3. Loan Loss Reserves Are Being Evaluated

Since the allowance for possible loan losses (APLL) is the first line of defense against loan deterioration, we are taking additional steps to assess the adequacy of a bank's APLL relative to the total risk in its portfolio. We are concerned that for some banks, increases in the APLL have not kept pace with increases in nonperforming and classified loans. We are addressing this concern by developing more specific criteria for use by our examiners in evaluating the adequacy of reserves and by focusing our examinations of large banks to make sure that reserves are adequate.

4. Capital Levels Are Being Increased

Congress reemphasized the critical role of capital in maintaining the safety and soundness of the banking system when it enacted in 1983 the International Lending Supervision Act that authorizes the banking agencies to enforce capital requirements. Under regulations proposed by the OCC and the FDIC, all banks, regardless of size, would be required to maintain a minimum ratio of primary capital to total assets of 5.5 percent. The implementation of this regulation will require over 200 national banks to raise a total of over $5 billion in new capital. The Federal Reserve has proposed similar guidelines on capital.

Stricter regulatory capital requirements will strengthen the trend towards stronger capitalization of the nation's largest banks. For example, in the first quarter of 1984 the average ratio of primary capital to total assets stood at 5.67 percent for the holding companies of the 11 multinational banks supervised by the OCC. This is almost 16 percent higher than the average level at those banks 2 years ago.

Adoption of this standard would not replace our supervisory evaluation of capital adequacy. Banks of all sizes will be encouraged to maintain higher capital levels. Furthermore, the OCC retains the right to impose higher ratios for banks whose circumstances necessitate a stronger capital base.

As another means of assuring adequate capital, OCC [illegible] dividend payout policies in light of its overall capital structure. We will not hesitate to restrict dividend payments when necessary.

5. Sources and Uses of Funds Are Being Scrutinized

The OCC is devoting more resources to monitoring regional and multinational banks' global funding. Banks will be placed under special surveillance if they are especially vulnerable to eroding market confidence or reliance on particular funding markets is deemed to be excessive. A key element in our increased supervision of funding is constant monitoring of the attitudes and concerns of market participants. Supervisory actions on individual banks will vary but, at a minimum, they are expected to include the development of alternative funding plans. In some cases, supervisory actions could also constrain growth. Finally, where we find a high volume of volatile liabilities, we will require a larger percentage of liquid assets.

6. Increased Financial Disclosure Is Being Promoted

The market's evaluation of the banking system depends, in large part, on the information that is publicly available. To enhance the credibility of bank financial statements and reduce the likelihood that the market will overreact to incomplete information, the OCC is considering requiring increased disclosure of information about banks. To that end, it is seeking public comments on increasing the disclosure requirements for banks via an advance notice of proposed rulemaking (ANPR).

The ANPR highlights questions such as what additional information is needed; who should have the responsibility of making information public; and how the integrity of financial statements used for disclosure should be maintained.

The OCC has also taken steps to enhance the accuracy of information that is already disclosed. Recently OCC took enforcement actions against six major banks and required them to restate some of their financial information to eliminate "window dressing" that could mislead depositors, investors, and the regulatory agencies.

In addition, along with the Federal Reserve Board, the OCC issued a statement on June 11, 1984 reaffirming its policy on nonaccrual loans. Such loans must be placed on nonaccrual status (by virtue of being more than 90 days past due) on contractual dates and must be brought current before being returned to accrual status. Finally, we are continuing to work with other federal banking agencies and the Securities and

Exchange Commission to review additional means of improving bank disclosure.

7. Strict Enforcement Policy is Being Maintained

We have been utilizing our enforcement power more vigorously to correct violations of law and imprudent banking practices. For instance, last year we took 274 formal actions against national banks compared to 156 for the previous year and only 65 in 1978. These actions have been taken against banks of all sizes. We have outstanding enforcement actions against 17 percent of the banks with assets over $1 billion and 12 percent of the banks with under $1 billion in assets. Last year, we also imposed civil money penalties against 127 bank officials. To put that into perspective, in 1981 we imposed only 19.

Over the past last several years our enforcement actions have covered a wide variety of banking activities. In the large banks alone, we have recently taken a number of enforcement actions following targeted examinations that found inadequate loan losses reserves. In one instance, we took formal enforcement actions against some 21 national bank subsidiaries of a regional company to prevent improper transactions among affiliates. In addition to numerous cases addressing problem assets, lending controls, capital and management, actions against large banks have also been directed at inadequate procedures governing banks' securities activities. Moreover, we have worked jointly in enforcement actions with the SEC and have made referrals to the SEC when it appeared that holding companies failed to make adequate disclosure of OCC's enforcement actions on a subsidiary bank.

Conclusion

In summary, Continental pursued a growth strategy without adequate controls that proved to be its downfall in adverse economic circumstances. The bank has suffered the consequences. Management has been removed, and shareholders have incurred substantial losses. At the same time, we have avoided major disruption to the financial system. Upon implementation of the long-term solution, Continental will be well-capitalized and have stronger assets and management. It will be returned to private ownership at the earliest possible date.

We continue to focus our supervisory efforts on enhancing the ability of banks to remain sound even under difficult circumstances. Such action will strengthen the banking system and assure the continuing confidence of depositors.

Appendix

This Appendix provides a 10-year historical overview of the principal events leading up to the federal rescue of Continental Illinois National Bank and Trust Company. Continental's history, for this purpose, falls naturally into two distinct time periods: the period from 1974 through 1981 when Continental grew rapidly and acquired many loans that ultimately turned into losses, and the period from the beginning of 1982 until July 1984 in the aftermath of the discovery of significant loan problems. This Appendix reviews the effects of the U.S. economy on the bank, significant actions taken by the bank, and OCC's supervisory involvement. The discussion and accompanying charts relate to the bank and not the bank holding company. Unless otherwise indicated, the peer group referred to in the charts and analysis is composed of eight wholesale money center banks.*

Continental: 1974–1981

Located in America's industrial heartland, Continental historically focused on domestic corporate lending. Because state restrictions on branching limited the establishment of a significant retail customer base, corporate lending was a natural area for Continental to emphasize. As the U.S. emerged from the 1974–1975 recession, economic growth was strong and many new lending opportunities emerged.

Roger E. Anderson became Chairman and Chief Executive Officer in 1973. He and his new management team set ambitious strategic business goals to make Continental a world class bank. In describing those goals, a bank executive was quoted in a 1980 *Institutional Investor* article:

> We're a country bank . . . What we would like to do is demonstrate that a Midwestern country bank can become the most magnificent force in the banking world.

Between 1974 and 1981, Continental's assets grew an average of over 13 percent per year. Its $45.1 billion in total assets at year-end 1981 made it the sixth largest bank in the nation, up from the eighth largest in 1974. Continental generally grew faster than other wholesale money center banks during this period.

Beginning in 1973, Continental embarked on an aggressive assault on selected segments of the banking market. The bank rapidly built up its consumer loan

*The eight wholesale money center banks included in the peer group are Bankers Trust, Chase Manhattan Bank, Citibank, First National Bank of Boston, First National Bank of Chicago, Irving Trust Co., Manufacturers Hanover Trust Co., and Morgan Guaranty Trust Co.

portfolio. A private placement unit was created that secured a foothold in the market by arranging placements of debt for small companies. Its international effort was expanded by structuring syndicated Eurodollar loans, making advances in direct lending to European multinational companies, and becoming active in project financing.

Like most banks, Continental suffered during the collapse of the real estate investment trust industry in the mid-1970s. Continental's management, however, handled this problem well and recovered the bank from its real estate problems more successfully than most other large banks with similar problems. As a result, Continental continued to remain active in real estate lending throughout the 1970s. Its mortgage and real estate portfolio grew from $997 million at the end of 1977 to approximately $2.3 billion at the end of 1979.

Continental emerged from the 1974–1975 recession with one of the best loan loss records among its peer group, reflecting management's ability to steer the bank through economic downturns. Financial problems at some of Continental's prime competitors in the late 1970s also provided the bank with a competitive opportunity to increase its market share and become the "premier bank in the Midwest."

OCC's assessment of Continental's management and the bank's performance during the eight examinations conducted by this Office in the 1974–1981 period was favorable. The bank was particularly strong as it emerged from the 1974–1975 recession. Earnings were rising and the bank's handling of its problem loans following that recession was superior to that of most other wholesale money center banks.

In 1972, the bank expanded individual lending officers' authority and removed the loan approval process from a committee framework. Continental revamped its organization in 1976 and eliminated more of the "red tape" in its lending procedures. Major responsibility was delegated to lending officers in the field, resulting in fewer controls and levels of review, in order to provide lending officers with the flexibility to rapidly take advantage of lending opportunities as they arose. While decentralized lending operations were common among money center and large regional banks, Continental was a leader in this approach. Management believed that this organizational structure would enable Continental to expand its market share and eventually meet its goal of becoming one of the top three banks lending to corporate America.

In light of Continental's rapid growth, OCC examiners stressed the importance of adequate controls, especially in the loan area. Certain internal control problems within the bank were noted by examiners. In particular, exceptions were noted in the timeliness of putting problem loans on the bank's internal watch list.

In reaction to these criticisms, management implemented new control features, including computer-generated past due reports and a system to track exceptions in the internal rating process. Given the bank's historical loan loss experience and proven ability to deal with problem situations, supervisory concerns were not of a serious nature.

During the period from 1974-1981, Continental sought to spur loan growth by courting companies in profitable, although sometimes high risk businesses. Lending officers were encouraged to move fast, offer more innovative packages, and take on more loans. This aggressive lending strategy worked well for the bank; Continental's commercial and industrial (C&I) loans expanded from $4.9 billion in 1974 to $14.3 billion in 1981. Moreover, it was able to expand its market share during a period in the late 1970s when many other major U.S. banks experienced declining market shares because of increasing competition from foreign banks, the commercial paper market, and other nontraditional lenders. By adding numerous multinational and middle-market companies that previously did no business with the bank, Continental's share of the domestic C&I loan market rose from 3.9 percent at the end of 1974 to 4.4 percent at year-end 1981.

As part of its corporate expansion, Continental became particularly aggressive in the energy area. The bank created a special oil-lending unit in the early 1950s—reportedly the first major bank to have petroleum engineers and other energy specialists on staff. The economic consequences of the 1973 oil embargo and the resulting four-fold increase in world oil prices pushed energy self-sufficiency to the forefront of our national goals. A number of actions were taken by various Administrations and Congress following the first embargo and subsequent oil price hikes to both reduce U.S. energy consumption and to increase domestic production. The Department of Energy, created in 1977, sought to develop ways of encouraging higher investments in U.S. exploration, development, production, and refining capacity. Cultivation of this niche had made Continental a premier energy lending bank and contributed significantly to its rapid, and profitable, expansion.

Continental's C&I loans, including its energy loans, produced high returns for the bank. Average yields were consistently higher than those of other wholesale money center banks.

The financial markets reacted favorably to Continental's aggressive growth strategy. In 1978, *Dun's Review* described Continental as one of the five best managed companies in America. Many analysts regarded it as a preeminent wholesale money center bank, citing its stable asset and earnings growth, its excellent record in loan losses, and its expertise in energy lending. Continental Illinois Corporation's ratio of market price to book value, which had lagged behind other money center bank holding companies in the early 1970s, began rising in 1976.

With limited access to retain banking markets and core deposit funding because of restrictive branching statutes in Illinois, Continental funded its rapid growth through purchased wholesale money such as federal funds, negotiable certificates of deposit, and the interbank market. Its reliance on purchased funds, approximately 70 percent of total liabilities, was much higher than its peer group average.

Concerns were raised by OCC examiners in the 1976 examination over the bank's liquidity and its reliance on Fed Funds, foreign deposits, and negotiable CDs. By the time of the summer 1977 examination, Continental had improved its liquidity position and had enhanced its monitoring systems. OCC examiners concluded that the Office's funding and control concerns were being adequately monitored by the bank. The bank was requested, however, to submit quarterly status reports on classified assets over $5 million and monthly financial statements.

Continental's heavy reliance over this period on purchased money, which had a higher interest cost than retail deposits, offset much of the gain that accrued from Continental's higher loan yields. High funding costs reduced Continental's net interest margin to a level well below its peer group.

Continental was, nevertheless, able to maintain its superior earnings growth because of low overhead and non-interest expenses. The absence of domestic branches and relatively few foreign branches, compared to other money center banks, held down Continental's overhead expenses and, therefore, compensated for some of its high funding costs. Continental's ratio of non-interest expenses to average assets was far below its peer group average. As a consequence, through 1980, Continental was able to achieve one of the best and most consistent performance records among money center banks. Its ROA was consistently above the average of other wholesale money center banks.

The bank showed record earnings while its assets grew to a high of $45.1 billion in 1981. Net income rose rapidly before peaking at $236 million at year end 1981.

As noted earlier, in the examinations conducted by this Office in the 1974–1981 period, Continental's overall condition was found to be good and it generally compared well with other multinational banks under our supervision. In addition to liquidity and internal controls, our concerns during this time period centered on capital adequacy and asset quality.

While Continental's capital to asset ratio compared favorably to other money center banks, OCC examiners expressed concern throughout the late 1970s about the bank's ability to generate sufficient capital to keep pace with its rapid expansion.

During the 1976 examination, the Office pointed out that unlike most other large national banks, Continental had no definite capital growth plan. As a result, the bank prepared a 3-year capital plan and took immediate measures to increase capital, including cutting the size of its 1976 dividends to the holding company, by $15 million, to $45.6 million. In addition, the bank holding company issued debt and used the proceeds to inject $62 million into the bank's surplus account. Despite these efforts, capital failed to keep pace with asset growth and continued to decline through 1980.

Continental had an excellent loan loss experience, with one of the lowest percentages of nonperforming assets and net loan losses in the industry. Asset quality, which was a major concern at most money center banks in the 1975–1976 period, showed steady improvement at Continental throughout the late 1970s. Its classified assets decreased dramatically following the recession, demonstrating management's ability to deal effectively with problem assets. By the end of 1977, Continental had classified assets representing 86 percent of gross capital, down from 121 percent of capital the previous year. In the 1975–1977 period, Continental's ratio of net loan losses to average total loans and leases was 25 percent lower than the average of other wholesale money center banks.

OCC's 1979 examination of Continental noted continuing improvement in asset quality. Classified assets had declined from 86 percent to 80 percent of gross capital funds. Liquidity was also considered adequate at this time. Some problems, however, were noted in the bank's internal credit review system. Deficiencies were cited in the identification and rating of problem loans and the completeness of credit files. In light of the bank's rapid asset growth, OCC examiners once again emphasized the importance of building a strong capital base.

Similar conclusions were drawn during the 1980 examination. Liquidity was still considered acceptable. Asset quality continued to improve; classified assets as a percent of gross capital funds declined to 61 percent. Management was encouraged to perform some type of on-site review of information submitted to the loan review committee, such as periodic visits to foreign offices and other loan origination sites. Although not keeping pace with asset growth, capital was considered adequate. The bank was thought to have sufficient capability to meet external pressures and to fund projected growth.

In its response to the 1980 examination, Continental management indicated that although they believed the bank's present internal credit review system had been successful, some type of on-site review might be appropriate, particularly in light of the bank's expansion. Accordingly, management had been exploring various methods of accomplishing this shift in a cost-effective manner. An experimental field review was subsequently conducted.

During the 1981 examination, the OCC placed special emphasis on the review of Continental's energy and real estate lending, since the bank was targeting these areas for additional growth. Continental's energy portfolio nearly doubled between 1979 and 1980 and increased by an additional 50 percent the following year. By 1981, energy loans represented 20 percent of Continental's total loans and leases and 47 percent of its total C&I loans. With energy prices skyrocketing and drilling and exploration activity booming, Continental was well-positioned to meet the burgeoning credit demands for development of energy sources.

Continental historically had made loans to energy producers that were secured by "proven reserves" or by properties surrounded by producing wells that were almost guaranteed to produce oil and gas. As part of management's intensified commitment to energy lending in the late 1970s, the bank had begun expanding its energy portfolio, including making loans secured by leases on undeveloped properties with uncertain production potential. The bank also became particularly aggressive in extending loans to small independent drillers and refiners.

In 1981, Continental had over $6.7 billion in oil and gas loans outstanding. Despite this high commitment to a single sector of the economy, Continental's management felt confident about the strength of the energy industry and its knowledge of specific oil fields and companies. Income from Continental's energy loans had consistently averaged less than half the net loan income from non-energy loans. According to Gerald Bergman, senior vice president of Continental's Special Industries lending department, the bank was simply demonstrating "a reasonable way to leverage [its] expertise in the oil industry." (*American Banker*, August 25, 1981)

While conducting the 1981 examination, which used information as of April 30, 1981, OCC examiners noted a significant level of participations from Penn Square that were backed up by standby letters of credit. Recognizing that the amount of these loans was large in comparison with Penn Square's size, additional time was spent examining them. The OCC's review determined that these standby letters of credit were issued by banks other than Penn Square, including several money center banks, alleviating our concerns. Moreover, since the energy industry still appeared strong and the energy loans were continuing to perform, we saw no cause for concern at that time. In all, only two oil and gas loans, totaling $85 million were classified. Neither loan had been purchased from Penn Square.

As part of the 1981 examination, OCC examiners sampled new account relationships, in particular, and devoted further efforts to judging the quality of the credit rating system. Classified assets as a percent of gross capital had increased from 61 percent at the previous examination to 67 percent. The trend, which was also noted at other large banks, however, was attributed by OCC examiners to deteriorating economic conditions rather than a relaxation of credit standards.

OCC examiners again reviewed Continental's internal loan review systems during the 1981 examination. Although examiners did classify several loans for which watch loan reports had not been prepared, each of these loans had been internally rated in accordance with bank policy. Neither the dollar amount nor the number of these loans was considered significant. However, it was noted that approximately 375 loans, totaling $2.4 billion, had not been reviewed by the bank's rating committee within one year; 55 of these had not been reviewed within two years. Management was aware of these exceptions and was in the process of reassessing its loan review system.

Continental's quality and consistency of earnings were considered good at the time of the 1981 examination. Examiners noted that a program of holding down dividends had resulted in a steady source of capital augmentation, but that capital still needed to be brought in line with asset growth. Liquidity was considered sufficient to meet any external pressures. Suitable systems for managing funding and rate sensitivity were found to be in place.

In response to the 1981 examination, Continental's

management indicated that they did not feel there was a problem with the loan portfolio quality, in light of the economic environment at that time. In fact, management expressed surprise that more difficulty had not surfaced, given the prolonged period of record high interest rates and the state of the economy. Nevertheless, they stated that close, continued attention would be provided to the quality of the portfolio. Management further stated that the issue of loans not being reviewed on schedule for rating purposes was receiving attention and that improvement was expected.

Through most of 1981, the majority of Wall Street analysts believed that Continental would continue to experience superior growth due to its position as a prime lender to the energy industry, its potential for improved return on assets, and its record of loan losses. The *Wall Street Transcript* gave its silver runnerup award for outstanding money center bank CEOs to Roger Anderson in June of 1981. Bank analysts strongly supported the selection, with one analyst noting:

> I give Continental credit for doing what they do best, and that is lending money. They've been able to pick out certain niches. I'm continually amazed by their reception as energy lenders. They positioned themselves well early on, and they have been reaping the benefits of that. I used to be skeptical that they could manage their costs when things slowed down, but they've shown me recently that they've done a good job of managing people and costs and pushing employees toward productive areas.

Another analyst commented that:

> With Continental possessing one of the best loan loss records among money center banks, one can assume it is carrying the same credit standards into the current period of economic weakness as as it did in the prior period and will not suffer large loan losses.

Continental: January 1982–July 1984

To fully understand the demise of Continental, it is first necessary to review the history of Penn Square Bank's involvement with Continental. Penn Square was one of the most aggressive lenders in one of the hottest energy drilling areas of the country. Because its loan generating ability exceeded its legal lending limit as well as its funding ability, Penn Square would originate loans and then sell them to other banks, including Continental and Seattle First National Bank.

Although Continental began purchasing loans from Penn Square as early as 1978, significant growth in loan purchases did not occur until the beginning of 1981. For example, as of the end of 1980, Continental had purchased energy loans from Penn Square totaling only $167 million. By the conclusion of this Office's 1981 examination of Continental in August, loans purchased from Penn Square were in excess of $500 million. From that time period until the start of the 1982 examination, another $600 million in participations from Penn Square loans were booked at Continental, bringing the total amount to $1.1 billion. At their peak in the spring of 1982, Penn Square loans represented 3 percent of Continental's total loans and leases and 17 percent of its total oil and gas loan portfolio.

In a quarterly visit with Continental management in March of 1982 prior to the general examination, OCC examiners discussed the general health of the energy industry. Since the end of 1981, the energy industry had declined significantly.

In spite of this decline, bank officials said they felt comfortable with their expertise in the energy area and planned to continue to stress it. Notwithstanding the thorough review of the energy portfolio in the 1981 examination, the intervening decline in the oil and gas industry made energy a principal focus of the OCC's 1982 examination scheduled to begin in May. At the request of the examiner-in-charge of the Continental examination, an energy lending specialist from the OCC's Southwestern District was assigned to assist in the 1982 examination of Continental.

Our concerns became serious when OCC examiners in Penn Square learned that Continental had purchased a significant quantity of bad loans from Penn Square. An examination of Continental was underway and OCC examiners in that bank were immediately informed of irregularities in the Penn Square loans.

The OCC responded to this in a number of ways. After informing Continental's management in June of the serious condition of Penn Square and its implications for Continental's loan portfolio, the OCC extended its examination through November and worked closely with Continental's internal auditors and independent accountants to assess the damage. On July 5, 1982, Penn Square Bank failed.

Continental's serious condition prompted the OCC to direct a number of corrective measures, which were immediately initiated by the bank. The OCC informed management in August of its intention to formalize these directives by placing the bank under a Formal Agreement, enforceable under the cease and desist authority of 12 USC 1818. The Comptroller and his staff met several times with senior management and

board members over the next few months to discuss the bank's condition and the impending Agreement.

Continental moved quickly to determine the extent of its exposure in loans originated by Penn Square, to get a fix on the size of the loan loss provision necessary for the second quarter, and to stablize funding. OCC examiners also reviewed all of the loans Continental had purchased from Penn Square and evaluated their effect on Continental's loan portfolio and provision for loan losses. Our examiners held numerous meetings with Continental's Board of Directors to discuss the bank's provision for loan losses and its recovery effort.

OCC's 1982 examination determined that many of the loans purchased from Penn Square, particularly in the months just prior to Penn Square's failure, had failed to meet Continental's typical energy-lending standards. Many were also poorly documented and were, therefore, not being internally rated in a timely manner. Accordingly, increasing numbers of these loans appeared on Continental's late rating reports. In addition, numerous loans had appeared on Continental's internally generated collateral exception report. The reliability of Continental's internal reporting systems, however, had been spotty in previous years. As a consequence, officers in the Special Industries Division who were purchasing the loans from Penn Square were able to persuade senior lending officers to disregard the internal reports. Early internal warning signals were, therefore, largely ignored.

During the office's 1982 examination, OCC examiners also learned that a team of internal auditors had been sent twice in 1981 by Executive Vice President Bergman, head of Continental's Special Industries Group, to review the Penn Square loans Continental was purchasing. The auditors' report on their first visit in September 1981 noted several items that they felt merited "special attention," including incomplete and inaccurate records, questionable security interests, and a high level of loans to parties related to Penn Square. The Special Litigation Report of the Board of Directors issued in 1984 concluded that this audit report, although submitted to Bergman, was not seen by senior Continental management prior to the collapse of Penn Square.

The written report of the bank auditors' findings of their second visit to Penn Square in December 1981 expressed concern with loans secured by Penn Square-issued standby letters of credit (representing approximately [illegible] of that bank's equity), questionable lien positions, and several loans in which the bank had participated more than Penn Square's current [illegible]. This audit also uncovered [illegible] from Penn Square to John R. Lytle, manager of Continental's Mid-Continent Division of the Oil and Gas Group, and the officer responsible for acquiring the Penn Square loans.

The Special Litigation Report once again indicated that while senior Continental management did receive news of these loans to Mr. Lytle, they once again did not receive the full auditors' report from the December review of the Penn Square lending operations. No action was taken by Continental to remove or discipline Mr. Lytle until May of 1982.

In July of 1982, following the collapse of Penn Square, Continental sent a staff of experienced energy lenders to Oklahoma City to review Penn Square's records and assess the dimensions of the problem. Each of the loans Continental purchased from Penn Square was reviewed during the first two weeks of July. After analyzing the probable risk associated with each credit, senior Continental officers recommended an addition to loan loss reserves of $220 million. This Office, as well as the bank's accounting firm of Ernst & Whinney, reviewed this figure and concluded that it was supported by the information available at that time. This figure was then published on July 21 along with a full statement of Continental's second-quarter results.

Continental auditors, supported by accountants from Ernst & Whinney, remained in Oklahoma City reconciling Continental's records with Penn Square data, assisting in the Penn Square portfolio assessment program, and preparing the loan workouts. OCC examiners also reviewed in late August and early September each loan purchased from Penn Square and discussed their findings with senior Continental management before release of third quarter earnings. That review resulted in an additional $81 million being added to the bank's provision for loan losses in the third quarter, as reported in Continental Illinois Corporation's October 14 press release. The holding company also indicated that its nonperforming assets had reached $2 billion as of September 30, 1982, up $700 million from the previous quarter.

Simultaneously with the credit review, Continental undertook an extensive review of the people involved in the Penn Square relationship and the lending policies, procedures, and practices which might have contributed to the crisis. In its first phase, an independent review committee appointed by Continental's Board of Directors recommended a series of major staff changes beginning with the July 14 suspension of John R. Lytle. Mr. Lytle was permanently released from the bank on August 30. Resignations and early retirements, including those of Executive Vice President Bergman and his superior, Executive Vice Presi-

dent George Baker, soon followed. In addition, various other bank personnel were reassigned.

In its second phase, the internal review committee assessed bank policy and recommended:

- codification of bank lending policies and procedures;
- enhancement of secured lending and related support systems;
- improvement in cooperation between loan operations and the line;
- revision of loan operations activity to improve its reliability and productivity; and
- formulation of a Credit Risk Evaluation Division, as had been recommended by the OCC, to strengthen the bank's credit rating system and enhance credit risk identification, evaluation, reporting, and monitoring.

Following the Penn Square collapse, the domestic money market's confidence in Continental was seriously weakened. The bank's access to the Fed Funds and domestic CD markets quickly dried up. Continental lost 40 percent of its purchased domestic funding in 1982.

Continental moved quickly to stablize and restore its funding. Meetings were held with major funds providers, rating agencies, and members of the financial community. Public disclosures were periodically issued to correct misinformation. In the fall of 1982, liquid assets were sold or allowed to mature. As the domestic funds market dried up, Continental shifted to the European interbank market for funding. Foreign liabilities soon began to approach 50 percent of the bank's total liability structure.

Continental's parent holding company maintained its $0.50 per share dividend on common stock in August 1982. While the dividend may not have been merited by the earnings level, holding company management felt it was a necessary step in attempting to restore the confidence of the financial markets and to raising capital in the marketplace.

Despite these actions, Continental's condition deteriorated throughout 1982. Many of its energy loans that had performed well and been extremely profitable in the 1970s and well into 1981 were now serious collection problems.

Nonperforming assets at the holding company level, which totaled $653 million at the end of 1981, grew to $844 million at the end of the first quarter of 1982. While most of these nonperforming assets were concentrated in real estate loans and nonenergy-related corporate loans through the first quarter of 1982, this changed dramatically in the following quarters when a number of energy loans were nonperforming. By the end of 1982, close to half (over $900 million) of Continental's nonperforming assets were energy-related.

In all, $1.2 billion in nonperforming assets were added in 1982, bringing them up to nearly 6 percent of the total loan portfolio.

Continental's net loan losses reached $371 million by December 1982, nearly a five-fold increase over the previous year's losses. Despite an improving economy in 1983, many of Continental's borrowers continued to experience difficulties and Continental's losses remained high.

Energy-related loans represented a disproportionate share of Continental's loan losses. While oil and gas loans comprised approximately 20 percent of Continental's average total loan portfolio in 1982 and 1983, they represented approximately 67 percent of its June 1982 through June 1984 loan losses.

Most of Continental's oil and gas loan losses were a direct result of its purchase of loans from Penn Square. Although loans purchased from Penn Square averaged less than 3 percent of Continental's total loans over the past 2½ years, they accounted for 41 percent of the bank's losses between June 1982 and June 1984. Penn Square loans have thus far resulted in nearly $500 million in loan losses for Continental.

Most of Continental's loan losses since June 1982, including those purchased from Penn Square, were from loans that originated in 1980 and 1981.

These loan quality problems caused Continental's earnings to collapse. The bank's provision for loan losses consumed 93 percent of its 1982 operating income, reaching $476.8 million. Resulting net income fell from $236 million in 1981 to $72 million at year-end 1982.

The collapse of Penn Square and the energy industry forced Continental's management in 1982 to reassess the bank's overall direction. Continental's Credit Risk Evaluation Division, which had been created at the urging of the OCC in the fall of 1982, was strengthened in early 1983 to provide improved risk evaluation and to report regularly to the Board of Directors and senior bank management. The Division also monitored the effectiveness of Continental's early warning credit quality systems and served as an important check on corporate lending activities.

The Formal Agreement signed on March 14, 1983 primarily covered asset and liability management, capital, [illegible] and funding. It required the bank to continue to implement and maintain stronger policies and procedures designed to improve performance. In addition to quarterly progress reports regarding compliance with the terms of the Agreement, Continental was also required to report periodically to this Office on its criticized assets, funding, and earnings.

In April 1983, OCC examiners visited Continental to review the first quarter financial results. Nonperforming assets, at $2.02 billion, were higher than anticipated by the bank, but market acceptance had improved and premiums on funding instruments had declined.

Continental submitted the first quarterly compliance report required by the Formal Agreement to this office in May 1983. It indicated that appropriate actions required by the Agreement were being taken by the bank.

Continental's 1983 recovery plan called for a reduction in assets and staff and a more conservative lending policy. Two executive officers, David Taylor and Edward Bottum, were appointed to Continental's Board of Directors in August of 1983. Immediately after their appointment, they instituted key management and organizational changes to further lay the groundwork for recovery. External market conditions during the second half of 1983, however, slowed Continental's recovery. Increasing interest rates squeezed net interest margins. Loan demand was weak. Nonperforming energy loans rose further as the energy industry continued to decline.

The general sentiment of bank analysts toward Continental in 1982 was negative following Penn Square. It had become apparent to bank analysts by early 1983 that Penn Square wasn't Continental's only problem. Few analysts felt that Continental stock had any short-term turnaround potential.

Robert Albertson of Smith, Barney, Harris, Upham & Co., in the March 28, 1983 *Wall Street Transcript* summarized these opinions:

> Continental Illinois' problems are something that, in retrospect, we perhaps should have been better prepared for than we were. Recognizing how fast they grew should have alerted us to the fact that at least the potential for unusual problems was definitely there. ... The most disconcerting thing about [Continental's difficulties] is the fact that [illegible] principal area of expertise. Therefore, I have to remain uncertain as to where Continental will be going in the near term.

The 1983 examination of the bank's condition as of June 30 focused on energy and real estate credit, overseas exposure, funding, earnings, capital adequacy, and compliance with the Formal Agreement. The overall condition of the bank had further deteriorated since the 1982 examination. Asset quality and earnings remained poor. Capital was adequate on a ratio basis, but under pressure due to asset and earnings problems. Funding had improved, but was still acutely sensitive to poor performance and other negative developments. The bank was found to be in compliance with the provisions of the Formal Agreement. Following completion of the examination in December 1983, the Comptroller and senior OCC staff met with Continental's Board of Directors on January 23, 1984 to discuss these findings.

A revised recovery plan for 1984 called for a further reduction in assets, enhanced capital-raising efforts, and a reduction in non-interest expenses and staff. Non-essential businesses, such as real estate and the bank's credit card operation, would be sold to improve capital and refocus the bank on wholesale banking. Merger alternatives would be pursued with the assistance of Goldman, Sachs & Co. which had been retained in September 1983. Plans were also accelerated to transfer additional responsibilities to Taylor and Bottum.

On January 31, 1984, OCC staff met with Continental's Vice Chairman and its Controller to review the bank's 1983 performance, the 1984 recovery plan, and contingency planning. Parts of the discussion concerned the bank's own strategy for a "good bank/bad bank" separation, similar to that eventually provided for in the long-term assistance program.

David Taylor replaced Roger Anderson as Continental's CEO in February of 1984 and Edward Bottum was elected President. External events in the first quarter of 1984, however, produced further problems for this new management team. Asset quality continued to deteriorate and Continental recorded an operating loss for the first quarter of 1984.

Continental's condition as of March 31, 1984 remained poor. An OCC examination begun March 19 and targeted at asset quality and funding, concluded that continued operating losses and funding problems could be anticipated unless the bank's contingency plan to sell nonperforming assets was successful. Details of this plan were not, however, available at the close of the examination on April 20.

The Comptroller and his staff met with Continental's Chairman/CEO and President on May 2 to discuss the bank's dividend policy and contingency plan for selling nonperforming assets. It was the Comptroller's conclusion following the meeting that our approval of the payment of the bank's second quarter dividend to the holding company, in part, depended on the successful implementation of the provisions contained in the contingency plan, specifically the sale of nonperforming assets.

Later that month, market confidence in Continental slipped even further as rumors about the bank's impending bankruptcy were fueled by two erroneous press reports on May 8 that concerned the purchase of or investment in the bank. From that point on, the Office was in constant contact with the bank and other bank regulatory agencies, particularly the FDIC. On May 10, the OCC issued a news release stating that the Office had not requested assistance for or even discussed Continental with any bank or securities firm and that the Office was unaware of any significant changes in the bank's operations that would serve as the basis for rumors concerning the bank's fate.

OCC examiners established an onsite presence in Continental's trading rooms in Chicago and London on May 10 to more closely monitor the bank's rapidly deteriorating funding situation. Initial reports from OCC examiners indicated that major providers of overnight and term funds were failing to renew their holdings of the liabilities of the bank and Continental Illinois Corp. The bank was forced to prepay the deposits in Eurodollar and domestic markets and seek replacement of the CD funding in the domestic market. Because other funding sources were not available, the bank resorted to borrowings from the Federal Reserve Bank of Chicago.

From May 12–14, a safety net of 16 banks put together a $4.5 million line of credit for Continental. But, by May 15, the safety net began to unwind due to a heightened lack of confidence. The Comptroller and staff held meetings on May 16 and 17 with Continental, other money center banks, and regulatory agencies in Chicago, New York, and Washington to consider alternatives. These meetings resulted in the formation of the "temporary assistance package."

Under the temporary assistance plan publicly announced on May 17, Continental received a $2 billion subordinated loan for the period necessary to develop permanent sources of funds. The loan was evidenced by a demand subordinated note; $1.5 billion was provided by the FDIC, with the balance provided by a group of seven major U.S. banks. In addition, a consortium of 28 banks provided Continental with a $5.5 billion standby line of credit. By virtue of this capital injection, the FDIC in effect provided assurance that Continental's problems would not be resolved through a pay-off of insured depositors. It, therefore, also provided assurance that the funds of all depositors, both insured and uninsured, were thereby fully protected.

During the next two months, the regulators held meetings with both domestic and foreign financial institutions and other parties interested in merging with or investing in Continental. It became apparent fairly early on in these discussions, however, that it would be difficult to arrange a completely private sector solution. Furthermore, proposed private sector/government-assisted transactions were likely to be too costly to the FDIC.

The regulators' efforts were, therefore, directed toward devising a permanent solution to Continental's problems that was not dependent on private sector investment. Small working groups comprised of representatives from all three bank regulatory agencies met on a daily basis to develop and refine a long-term solution. At the same time, a search began to find new management for the bank. The Comptroller and other senior officials met at least weekly with the FDIC to discuss planning details; telephone contact between the principals occurred frequently.

Continental's financial situation, while stable for most of June, began to deteriorate again in July. Despite FDIC assurances, there was unease about just how the FDIC "assurances" would be honored if Continental failed. As a result, many large depositors began to again withdraw their funds as they matured.

During the 60 days after the erroneous press reports, Continental's deposits, Fed Funds, and repos had fallen nearly $10 billion. By July, Continental had borrowed $4 billion from 28 banks, another $3.55 billion from the Federal Reserve Bank of Chicago, and $2 billion more from the FDIC and the seven banks holding subordinated notes.

Throughout this period, OCC held several meetings with senior bank management and with various members of the bank's Board of Directors. Numerous meetings were held internally to analyze and refine the proposed plan. Intensive monitoring of the bank's

funding continued, a joint OCC-FDIC review of the loan portfolio was initiated.

The long-term solution, announced on July 26 and subject to shareholder approval on September 26, is intended to restore Continental to health and allow it to continue to serve its marketplace without interruption. It entailed two key elements: top management changes and substantial financial assistance.

The solution will result in the creation of a smaller and more viable Continental. Management has been removed, and shareholders have incurred substantial losses. At the same time, major disruption to the financial system has been avoided. Upon implementation of the long-term solution, Continental will be well-capitalized and have stronger assets and management. It will be returned to private ownership at the earliest possible date.

NOTE: Charts from the Appendix were not included because of space limitations. They are available from other sources.

Remarks by James E. Boland, Deputy Comptroller for Industry and Public Affairs, before the National Association of Mutual Insurance Companies, Hollywood, Fla., September 26, 1984

I'm pleased to be here today. This conference really shows the impact of change on the financial services marketplace. A few years ago, who would have dreamed of a group of insurance underwriters inviting a national bank regulator to speak at their convention.

Bankers have changed too. It used to be that every time you met a person that was polite and wasn't trying to sell anything, he turned out be a banker. Back then, customers had to sell bankers on the idea of giving them a loan. Today marketing and selling have become a very important part of banking, even on the lending side.

We have a different kind of marketplace in financial services. The clear cut lines between industry segments have blurred. At the same time, relationships between financial intermediaries have also changed. Mutually beneficial relationships between banks and insurance underwriters are possible today. And there is the promise of even more lucrative arrangements in the future.

I know there are some doubters in the audience. But I think I can help you change your minds, if you would answer a few short questions by a show of hands. I call this my bank insurance compatibility test.

- How many of you depend on independent agents or brokers to sell your product?
- Who would like to reach new markets?
- Would anyone like to reduce their distribution costs?
- How would you like to find a way to beat State Farm [illegible]?

If you answered "yes" to any of these questions, [illegible] whether you know it or not, it may be in your best interest for banks to get into insurance.

Let me explain. First, let's talk about the independent insurance agents. Most of you depend on them to market your products. Despite what some protectionists might say, the result of banks' entry into the insurance business will not be an end to the independent insurance agent, nor will it give banks a monopoly on financial services.

But the independent agency system is in trouble. Technology is totally changing the distribution of financial services, including insurance. As it stands today they are losing almost 1 percent of the total commercial and personal lines market each year to direct writers, captive agency companies. At the same time, because of competition, a lot of the business they have kept has been renewed at a considerable reduction in premium. So, commission income has lowered, while expenses have mounted and profit margins eroded. And many experts say these trends will continue.

This has happened because direct writers and captive agency companies have controlled distribution and are well automated. This efficiency gives them a cost advantage over the independent system and allows them to undersell the small mutual insurance company. In order to compete, independent agents must find a way to reduce costs.

At the same time, the customer has gotten a lot smarter. The intense price competition going on since mid 1979 has caused many consumers, both personal and commercial, to place price before loyalty to

past services and relationships. While this intense price competition grew, there was a national recession that affected most of the insurance buying public. Budget constraints forced them to shop around right when competition was heating up.

So, many of the customers think of insurance as a commodity. They no longer accept as carte blanche what their broker or agent tells them. This has greatly increased buying from direct writers like GEICO and Colonial Penn in the personal lines and from captive agency companies like State Farm and Allstate.

With competition based on price rather than service, the independent agents need to reduce their costs and add volume just to survive at the same level. After all, they need to offset attrition in accounts and commissions. That is forcing many, independent agencies to sell out and become captive agents. CIGNA, the leading independent agency company in market share, is luring many of the troubled independents to join their "One Company" group. The independents agree to represent only CIGNA and in return receive a generous one time "roll over" fee on business transferred to CIGNA from others, higher basic commissions, a generous profit sharing agreement and competitive pricing. Other large independent agency companies use similar tactics to make independents "independent" in name only. Continental has its "Circle Agents," Kemper has "Partnerships Agents," and Fireman's Fund has "MVP's." And the bottom line is that the small underwriter is losing.

This sad fact has placed the small mutual insurance company between a rock and a hard place. What can you do to reduce costs? What can you do to add value? I believe there is a way that you can have it both ways—the excellent service of the independent agent and the lower costs of a more efficient delivery system. That's where the banks come in.

If the independent agents were able to bring their special knowledge and marketing expertise to the local community banks, through lease arrangements now, and possibly joint venture or some other type of mutually beneficial partnership later, bank, agent, and underwriter would all flourish.

By working together, the bank and agency can compete against either direct writers or companies with captive agents. And when they do, it will enable local businesses to obtain new products at lower prices from community institutions that are familiar with their needs.

It's a situation where everyone wins. The agent gains because they can reduce their operating costs, use a more efficient delivery system and have access to a lot of potential customers. Banks would win because they could push more products through their existing delivery system. Underwriters would win because the independent agents could write a lot more policies for them more efficiently. And legislators and regulators like myself would win because a possible threat of concentration of economic power in large financial conglomerates would be alleviated.

As it stands today, there are a handful of large financial conglomerates, like Sears, that by taking advantage of the laws can offer banking, insurance, real estate and securities products and services all under one roof. The outdated legal structure has become a blueprint for concentration in financial services. The best way to prevent that is to provide some competition for these large conglomerates.

But, most importantly, when banks and insurance agents work together American consumers could be paying radically lower insurance premiums. Banks would be able to use existing branch and office facilities and apply tomorrow's technology to mass marketing insurance products today. By conservative estimates distribution costs would be reduced, on average from 25 cents of every premium dollar to 15 cents. As a result, a consumer could save $50 a year on a $500 auto policy.

But that's not the only way that you can benefit from banks entering the insurance business. You don't have to wait for your independent agents to form alliances with banks, you can go out and form your own. If you were to contact your local bank president, you may find that he is feeling many of the same pressures that you are. The bank wants to offer new products and services to their customers just as much as you want a more efficient distribution system. For now, the percentage lease arrangements have been deemed proper. By training and placing your own sales force within the bank's branches or by placing an independent agent within the bank, you could have a mutually beneficial relationship.

Many of the large insurance companies are already cutting deals with the big banks. Insurance America Sales Agency, a subsidiary of Capital Holding Corp of Louisville, Kentucky began offering a wide range of insurance products including both life and property casualty policies in the Bank of America lobbies in two California cities. By early October, Insurance America Sales Agency will be operating in 21 Bank of America branches. Last month, a similar venture got underway when John Hancock Mutual Life Insurance Company began a pilot program with the American National Bank of Bakersfield, California. Meanwhile, [illegible]

dependent insurance agency has been selling Aetna insurance in branches of First Tennessee Bank in Memphis.

As I mentioned before, under federal banking law the lease arrangement of space inside the bank lobby is perfectly legal. When insurance companies realize how mutually beneficial similar arrangements can be and stop fighting the banks and start fighting their real competition—the captive agent companies and direct writers—the laws may become even more flexible and even more lucrative arrangements will be possible.

Even today, there is some legislation that can work to your advantage. For instance, banks in towns less than 5,000 have been expressly authorized to act as insurance agents. Recently bank holding companies with total assets under $50 million have been allowed to undertake unlimited insurance activities. And federally chartered savings and loan associations have full insurance powers in their service corporations.

I think that small underwriters need to explore the idea of forming a mutually beneficial relationship with a bank. They may find that protectionism is self defeating especially since small underwriters are not protecting themselves against their real competition. In fact, the future of many small mutual insurance companies, may depend on working together with other financial service providers. Thank you.

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Permanent Assistance Program for Continental Illinois National Bank and Trust Company, Chicago, Illinois

Office of the Comptroller of the Currency
Federal Deposit Insurance Corporation
Federal Reserve Board

July 26, 1984

On May 17, 1984, the Federal Deposit Insurance Corporation, the Federal Reserve Board and the Comptroller of the Currency announced an interim financial assistance package for the Continental Illinois National Bank and Trust Company. The program was designed to alleviate the liquidity pressures facing the bank in order to provide the time needed to resolve the bank's problems in an orderly and permanent way and to avoid general instability in the financial system.

Since the announcement the agencies have conducted an examination of the bank and have held extensive discussions with prospective merger partners and potential investors. A number of proposals from various sources have been reviewed.

After careful evaluation of all of the alternatives, the agencies have decided that the best solution is to provide sufficient permanent capital and other direct assistance to enable the bank to restore its position as a viable, self-financing entity. Factors considered in reaching this determination included the cost to the FDIC, competitive consequences and the banking needs of the public.

I. The Financial Assistance Program

A. Loan Purchase. The bank has a substantial volume of troubled loans. The first major element in the financial assistance program involves removing most of those loans from the bank.

The loans in question have a face value of over $5.1 billion and a May 31, 1984, book value of approximately $4.5 billion, based on earlier chargeoffs by the bank of over $600 million in face value.

The FDIC will purchase these loans in two installments. Loans with a May 31, 1984, book value of $3.0 billion (face value of over $3.6 billion) will be purchased by the FDIC upon implementation of the program at a price of $1.0 billion with the bank absorbing a $1.0 billion chargeoff. The bank will have a 3-year period to select other loans outstanding on May 31, 1984, with a book value of $1.5 billion and sell them to the FDIC for $1.5 billion.

The FDIC will pay the $3.5 billion purchase price for the loans by agreeing to repay an equal amount in bank borrowings from the Federal Reserve Bank of Chicago. The Federal Reserve borrowings assumed by the FDIC will bear interest at 25 basis points above the 3-month Treasury-bill rate, established at the beginning of each quarter. The FDIC will repay the Federal Reserve borrowings by making quarterly remittances of its collections, less expenses, on the troubled loans. If there is a shortfall at the end of 5 years, the FDIC will make up the deficiency from its own funds.

The troubled loans will be managed for the FDIC by the bank under a servicing contract. The FDIC will have the right to terminate the servicing arrangement, in whole or in part, at any time. The bank may terminate the servicing arrangement upon 6-months' notice to the FDIC.

B. Capital Infusion. Assuming an immediate transfer of $4.5 billion in book value loans and the $1.0 billion chargeoff in connection with the transfer, the bank would have total assets approximating $30.0 billion, equity exceeding $800 million and a reserve for loan losses aproximating $325 million. To replenish the $1.0 billion chargeoff, the FDIC will acquire $1.0 billion in preferred stock in the bank's parent, Continental Illinois Corporation, which must be downstreamed to the bank in the form of equity. Thus, the bank's regulatory capital, which includes reserves, will approximate $2.2 billion, or over 7.0 percent of assets.

The $1.0 billion capital infusion by the FDIC will be divided into two permanent, nonvoting preferred stock issues. The first issue, in the amount of $720 million, will be convertible into 160 million newly authorized shares of common stock (based upon the average closing price of $4.50 per share from July 10, 1984, through July 16, 1984). This issue will pay no dividends except to the extent dividends are paid on the common stock, in which event the preferred issue will be entitled to dividends equivalent to that which would be paid on 160 million shares of common stock. The second issue, in the amount of $280 million, will be an adjustable-rate, cumulative preferred stock, callable at the option of Continental Illinois. The dividend on the issue will be determined by the highest of three Treasury rates as published by the Federal Reserve. During the first 3 years, Continental Illinois will have the option to pay this dividend in additional adjustable-rate preferred stock or cash.

C. Shareholder Dilution. Under the $720 million convertible preferred stock issue, the FDIC will have the right to convert into 160 million shares, or approximately 80 percent, of Continental Illinois Corporation's

common stock. The remaining approximately 40 million shares owned by the current shareholders will be transferred to a newly formed corporation. The new corporation will be owned entirely by the current shareholders. At the end of 5 years, an estimate will be made of the losses, if any, incurred by the FDIC in connection with its purchase of loans and assumption of Federal Reserve debt under paragraph A above. The estimate of losses will be made by three referees, one appointed by the FDIC, one by the new corporation and a third appointed by the other two referees.

If the FDIC suffers any loss under the loan purchase arrangement, including carrying costs and expenses of collection, those losses will be compensated for by granting the FDIC the option to acquire common stock in Continental Illinois Corporation held by the new corporation. The transfer of common stock will be done on the basis of its approximate book value of $20 per share (*i.e.*, the $800 million in shareholder equity at May 31, 1984, after taking into account the $1.0 billion loan chargeoff, divided by 40 million shares). For example, if the FDIC's losses are estimated at $800 million at the end of the 5-year period, the FDIC will have a perpetual option to acquire, at $0.00001 per share, all of the 40 million shares of Continental Illinois Corporation common stock held by the new corporation. After this option is acquired by the FDIC, the new corporation could be dissolved and the remaining shares of common stock it holds in Continental Illinois Corporation, if there are any, distributed to its shareholders. If the FDIC does not suffer any losses under the loan purchase arrangement (disregarding any profit or loss from its interests in the preferred and common stock), all remaining loans and other assets acquired under the loan purchase arrangement will be returned to the bank. The new corporation will not be permitted to pay any dividends until after a final settlement is made with the FDIC. Any dividends received by the new corporation on its approximate 40 million share investment in Continental Illinois Corporation will be available to cover potential FDIC losses under the loan purchase arrangement.

D. Rights Offering. The current shareholders will be issued a transferable right to acquire, on a *pro rata* basis, approximately 40 million shares of Continental Illinois Corporation at the benchmark market price of $4.50 per share if exercised within 60 days of the effective date of the transaction, or $6.00 per share if exercised during the subsequent 22 months. If all of the rights are exercised at $6.00 per share, they will raise an additional $240 million in equity for Continental Illinois Corporation, which will be downstreamed to the bank [illegible] percent of 240 [illegible]. The rights and the shares they represent will not be subject to the "make-whole" arrangement described in paragraph C above.

E. Necessary Approvals. The transactions described above have been approved, without dissent, by the boards of the bank and Continental Illinois Corporation. They are also subject to approval by majority vote of the shareholders, which will be promptly sought.

F. Interim Financial Aid Program. Pending approval by the shareholders and consummation of the permanent aid package, the interim $2.0 billion subordinate loan to the bank from the FDIC and a group of banks remains in place. Upon consummation of the permanent transaction, this loan will be repaid. Further, the assurance given by the FDIC on May 17, 1984, that "all depositors and other general creditors of the bank will be fully protected and service to the bank's customers will not be interrupted" remains in full force and effect until this permanent aid package is consummated. If the Continental Illinois shareholders should reject the permanent aid transaction, it is intended that the current federal financial assistance will be withdrawn, which would result in the Comptroller of the Currency declaring the bank insolvent from a liquidity standpoint. In this event, a newly chartered successor bank would be immediately and adequately recapitalized by the FDIC with liquidity support from the Federal Reserve. Depositors and all other general creditors of the bank would be fully protected against any loss of principal or interest or any delay in funds availability. However, the current shareholders of Continental Illinois would no longer be involved in the ongoing bank.

G. Continuing Liquidity Support. As part of the iterim financial aid program, the Federal Reserve stated that it was prepared, in accordance with customary arrangements, to meet any extraordinary liquidity requirements of the bank pending more permanent arrangements. In light of the FDIC's commitment of capital resources to the bank, the Federal Reserve will continue its lending assurance for the period during which FDIC capital is supplied to the bank. The $5.5 billion funding facility provided by a group of major U.S. banks will remain in place.

H. Cost to the FDIC. The FDIC's total cash outlay after consummation of the permanent financial assistance program will be $1.0 billion, $500 million less than under the interim aid program. The ultimate gain or loss to the FDIC of the permanent assistance package depends on the price it receives when it sells its stock interest in Continental Illinois Corporation and on any losses it incurs under the loan purchase arrangement. At this time, it is not possible to make an accurate forecast of any eventual gains or losses. It is hoped an

estimate will be available during 1985, which estimate will be revised from time to time as conditions warrant.

I. Legal Claims. All claims against present and former officers, directors, employees and agents of the bank, as well as bonding companies, accounting firms and the like, arising out of any act or omission that occurred prior to consummation of the permanent aid transaction will be assigned to the FDIC. Any recoveries on these claims will be credited to the collections made under the loan purchase arrangement.

J. Condition of the Bank. Upon consummation of the permanent aid transaction, the bank will be strongly capitalized and virtually free of nonperforming loans. If, for any reason, the permanent financial assistance package proves to be insufficient, the FDIC will commit additional capital or other forms of assistance as may be required.

II. Management Changes

As part of the program to rehabilitate Continental Illinois, the boards of directors of the bank and its parent have named two new executive officers. John E. Swearingen, 65, has been named Chairman of the Board and Chief Executive Officer of Continental Illinois Corporation, and William S. Ogden, 56, has been named Chairman of the Board and Chief Executive Officer of Continental Illinois National Bank. Both individuals will serve on both boards of directors.

Mr. Swearingen, widely acclaimed throughout international business circles, recently retired as Chief Executive Officer of the Standard Oil Company (Indiana), headquartered in Chicago. In addition to his extensive background in the energy business, where a significant amount of Continental Illinois loans reside, he is a director of The Chase Manhattan Bank (a position he will resign).

Mr. Ogden is a highly respected and experienced banker, having spent 31 years at The Chase Manhattan Bank. He retired last year from his position as Vice Chairman of the Board of Directors and Chief Financial Officer and has since been involved in entrepreneurial ventures.

In addition to Messrs. Swearingen and Ogden, a new President and Chief Operating Officer of the bank is expected to be named.

David G. Taylor and Edward S. Bottum, currently Chairman and President of Continental Illinois, have resigned these positions and their directorships, effective August 13, 1984, and each will serve as Vice Chairman of the bank until completion of the permanent management structure. Both individuals were instrumental in stabilizing the bank during the past two months and in arranging the permanent assistance program. Their change in status in no way reflects on their capabilities. Rather, it reflects the judgment that a change in leadership and direction is desirable under the circumstances.

In connection with the interim assistance package from the FDIC, all members of the Continental Illinois boards were requested to tender undated resignations. The boards will be substantially restructured as soon as practicable.

III. Future Business Plans

The agencies believe the permanent assistance package will create a viable, independent bank positioned to continue providing the full range of services to its customers, particularly those throughout the Midwest. Initially, the bank and its parent will continue the program currently underway to reduce the overall asset size of the organization, with special emphasis on divesting some foreign operations and less profitable activities. Reducing the bank's reliance on volatile funding sources and monitoring loan quality will clearly have a high priority.

The FDIC will not interfere with or control the bank's day-to-day operations. The agreements give the FDIC certain basic protections as a major investor, such as the right to object to the continued service of any board member, safeguards against dilution of the FDIC's shares and the right to veto any merger or reorganization. However, the FDIC will not control the hiring or compensation of officers, lending or investment policies or other normal business decisions.

As soon as practicable, the FDIC intends to dispose of its stock interest in Continental Illinois. This could be accomplished through a sale to a private investor group, to one or more banking organizations or to the public in an underwritten offering.

Independent Banking Preservation Act

The Honorable Bruce F. Vento
U.S. House of Representatives
Washington, D.C. 20515

September 28, 1984

Dear Mr. Vento

This is in response to your request for our views on H.R. 5793, the "Independent Banking Preservation

Act, which you recently introduced. This bill closes the so-called "nonbank bank" and "South Dakota" loopholes, prohibits FDIC-assisted mergers and out-of-state emergency acquisitions by the 50 largest banks, and provides for expanded powers for small banks.

Although we support closing the "nonbank bank" and "South Dakota" loopholes as part of a comprehensive banking bill, we do not believe that H.R. 5793 is the appropriate vehicle for such provisions. Similarly, we have serious reservations about the other aspects of the bill, and wish to share with you the following comments.

Nonbank banks. The bill closes the so-called "nonbank bank" loophole by redefining a "bank," for the purposes of the Bank Holding Company Act, to include (a) banks insured by the FDIC, (b) banks eligible for FDIC insurance, (c) institutions that accept demand deposits and make commercial loans, and (d) thrift institutions owned by unitary savings and loan holding companies and which have less than 70 percent of their assets invested in residential mortgages and related investments.

I favor clarifying the current definition of a bank and the definition contained in H.R. 5793 is a reasonable starting point. However, I am concerned that the proposed definition does not provide necessary exceptions. For example, I would prefer that any definition of a bank exclude banks that do not engage in commercial lending—known as "consumer banks." If there are concerns that such an exclusion would permit bank holding companies to operate interstate, I would not object to extending the interstate restrictions in the Bank Holding Company Act to consumer banks.

More importantly, I am strongly opposed to adopting a new definition of a bank without, at the same time, undertaking a comprehensive reform of our banking laws. It is crucial that Congress enact legislation that allows bank holding companies to compete with other financial servicers by offering a wider range of services to their customers.

Large bank mergers. Section four of H.R. 5793 restricts the ability of the FDIC to give assistance or arrange out-of-state mergers in emergency circumstances where one of the prospective merger partners would be among the 50 largest banks or bank holding companies in the United States. I believe that such a restriction would be misguided and harmful to the entire banking system. [illegible] that the large [illegible] FDIC emergency mergers is that [illegible] emergency and quickly salvage an endangered institution. To preclude the assistance of such banks under these circumstances would increase the (number and amount of) losses that the Federal Deposit Insurance Fund would have to absorb. This would reduce the insurance fund, and thereby the safety net which encourages confidence in FDIC insured institutions.

Douglas Amendment. Section five of H.R. 5793 deletes the exception to the Douglas Amendment which allows states to permit out-of-state holding companies to enter their states. This provision would raise further impediments to interstate banking despite the demonstrated consumer desire for such services. I am strongly opposed to this step backwards.

South Dakota. Section six of H.R. 5793 closes the so-called "South Dakota" loophole. Although we believe that a state should have the right to regulate its banks, we recognize that it may be unfair for a state to prohibit its banks from engaging, within the state, in the kinds of activities that they are allowed to engage in outside the state. To that extent, we support closing this "loophole." However, H.R. 5793 goes much further by prohibiting state-chartered institutions from performing—in-state or out-of-state—any activities that are not currently authorized by federal law (certain exceptions are provided for strictly in-state activities). Therefore, we cannot support the bill's overly broad approach to closing the South Dakota loophole.

Predatory pricing. Section seven of H.R. 5793 establishes criminal penalties for any bank that sets unreasonably high interest rates "for the purpose of destroying competition or a competitor." We believe that the current anti-trust laws contain sufficient prohibitions and remedies to deal with anti-competitive activities. Further, the ambiguity of the terms used in the bill and the need to establish criminal intent would certainly spawn extensive and unproductive litigation.

Foreign bank branches. Section eight of H.R. 5793 limits foreign banks to a single federal branch per state, provided state law explicitly authorizes foreign bank branches and the foreign country provides reciprocal treatment for American banks. This provision represents a step backwards from the International Banking Act enacted by Congress in 1978. We oppose this provision because we believe that such restrictions to potential competitors are counterproductive. Obviously, the limit of a single branch per state is overly restrictive in view of the benefits such banks can provide in states such as California and New York. Moreover, this office has not in the past supported the concept of reciprocity. A recent Treasury report suggests that the current U.S. policy of national treatment will continue to lead to improved

competitive opportunities for American banks

Small bank powers Section nine of H.R. 5793 permits small banks (less than $100 million in assets) to engage, with Federal Reserve Board approval, in activities permitted for bank holding companies. As I mentioned above, we believe that expanded powers are necessary for the banking industry; however, we do not believe this approach is an appropriate starting point. First, it is essential that all banks, regardless of size, be given added asset powers to enable them to compete with other providers of financial services and that it would be inequitable and ineffective to grant additional powers only to some banks. Further, in the interest of safety and soundness, we believe that new powers should be conducted at the holding company level to insulate the bank, and thereby its deposits and the insurance fund, from any business cycle declines or any additional risks posed by the new activities.

Beyond our objections to specific provisions of H.R. 5793, we believe the net effect of the bill would be detrimental to consumers. In the short run, the required divestitures and the restricted competition would disrupt financial services for many customers. In the long run, because all banks could not take advantage of the cost savings involved with offering additional products through their distribution systems, consumers who get their financial services from banks would be denied the lowest possible prices. Redrawing the lines that separate banking from other financial activities and restricting competition among financial servicers can only result in new inequities and efforts to find new loopholes.

Thank you for the opportunity to present our views on this legislation. If we can be of any assistance in the future, please do not hesitate to let us know.

C. T. Conover
Comptroller of the Currency

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291—May 4, 1984

This is in response to your letter dated September 13, 1983, and our earlier telephone conversation concerning the application of 12 CFR 32.101, obligations of accommodation parties.

You recently published an article entitled "Lending Limits Under Garn-St Germain," *Southern Banker*, July 1983, at 28, wherein you based footnote 5 concerning Part 32.101 on a conversation with an OCC staff member. You wrote:

> loans to a corporation guaranteed by the majority owner of the corporation must be attributed to the owner since he received the "benefit" of the loan. If he had not guaranteed the loan to the corporation, the rule under Sec. 32.5(a)(1) would apply. (At 29.)

You have requested a formal opinion as to the Office's position on application of the lending limits of 12 USC 84 to guarantors.

Your letter raises several issues:

(1) Is there an indirect benefit test for guarantors under 12 CFR 32.101? (No.)
(2) Under the previous Interpretive Ruling would a majority owner have been automatically considered to benefit from a loan to the corporation which he guaranteed? (No.)
(3) If the majority owner did not guarantee the loan to the corporation, "would 12 CFR 32.5(a)(1) in and of itself require that the loan be attributed to the owner?"

The definitions of "loans and extensions of credit," 12 CFR 32.2(a), and "contractual commitment to advance funds," 12 CFR 32.2(d), include indirect advances of funds. "Loans and extensions of credit" specifically includes "obligations of makers and endorsers arising from the discounting of commercial paper." "Commitment to advance funds" specifically includes "an obligation to guarantee or stand as surety for the benefit of a third party." Interpretation Part 32.101 states that

> The liability of a drawer, endorser, or guarantor who does not receive any of the proceeds, or the benefit of the proceeds, of the loan or extension of credit is not a loan or extension of credit to such person for purposes of this part unless one of the tests set forth in 12 CFR 32.5(a)(1) is satisfied. (Emphasis added.)

This interpretation is based on previous Interpretive Ruling 7.1125, 12 CFR 7.1125. The basic differences are that the phrase "or the benefit of the proceeds" was added and the obligation is now subject to the general combination rules of 12 CFR 32.5(a). The "tests" for combination are the direct benefit/common enterprise tests of Part 32.5(a)(1).

The preamble to the regulation notes:

> Most of the commenters seem to have been unaware that the phrase "receive the proceeds of the loan" in the existing Interpretive Ruling had been interpreted broadly by the Office to include cases where the guarantor received an indirect benefit from the loan.
> (48 *Fed. Reg.* 15851 (April 12, 1983).)

The combination rules establish a general framework for the combination of loans at 12 CFR 32.5(a). Like other loans and extensions of credit, all obligations of accommodation parties will be subject to the direct benefit/common enterprise analysis set forth under the general rules. Obligations of accommodation parties will not be considered loans and extensions of credit subject to 12 USC 84, however, unless the endorser or guarantor is receiving a sufficiently direct benefit from the loan or is engaging in a common enterprise with the primary obligor.

This is in contrast to our interpretation of prior Interpretive Ruling 7.1125, where the conclusion that a guarantor was an accommodation party was sufficient to quality him for the exemption. There is no change in the outcome, however, because the phrase "benefit" is hereby construed to mean a sufficiently "direct benefit" under the general rules. This construction is intended to encompass those indirect benefits which previously resulted in a guarantee being considered subject to the lending limits. The phrase "benefit of the proceeds" should be construed as merely clarifying that where any sufficiently direct benefit, which is not a direct receipt of proceeds, insures to the drawer, endorser or guarantor, an obligation is created that is analyzed according to the general combination rules. If that direct benefit/common enterprise analysis does not result in combination, the obligation is not a loan or extension of credit subject to 12 USC 84.*

This interpretation is consistent with the Office's desire to provide a logical and comprehensive framework for the analysis of possible loan combinations. It also reflects the Office's belief that situations that would have resulted in combination under the previous interpretive ruling should also result in a finding of a direct

* The [illegible] author [illegible] Banks under the [illegible] (1984) [illegible]

[illegible] a "common enterprise" under the new rules [illegible]

Therefore, the interpretation, as adopted, will not substantially alter current Office policy in this area (48 Fed. Reg. 15851.)

It is true that benefit was more likely to be found where the guarantor was a "dominant member" of or shareholder of an entity. However, I do not believe that this Office ever considered this a *per se* rule of aggregation.

The reason supporting a case-by-case analysis is that the Office believes that encouraging banks to take less security than they would normally take would be contrary to its function of ensuring their safety and soundness. If the majority owner guarantor receives no sufficiently direct benefit from the loan to the corporation, and if none of the general *per se* rules of a common enterprise are met, several factors which the Office used to review in applying the former Interpretive Ruling are still applicable under 12 USC 32.5(a)(2)(i), which provides for a finding of a common enterprise based on the particular facts and circumstances. These factors include the economic viability of the corporation and whether the loan is adequately secured or supportable by the corporation's income, whether the loan is for a business purpose suited to the corporation's needs, and the degree of corporate dependence on the dominant shareholder and *vice versa*.

As for the third issue raised by your letter, I am unsure exactly what you meant. If you are asking whether majority ownership would be considered as resulting in a direct benefit, the analysis would be similar to that described in the preceding paragraph. If you are asking whether the fact of majority ownership will result in automatic combination of loans to the owner with loans to the corporation which he has guaranteed under any of the common enterprise rules, the answer depends on additional facts. If a controlling owner receives more than 50 percent of his income from the corporation, his loans would be automatically combined with those to the corporation, whether he guarantees them or not, under the *per se* rule of 12 CFR 32.5(a)(2)(i). Alternatively, if the bank is relying on the [illegible] source of repayment, the loan he has guaranteed [illegible] combined with his loans under 12 CFR [illegible]. Finally, there is a 50 percent cap on [illegible] under 12 CFR 32.5(b). If [illegible] subsidiary, as that term is [illegible] the owner and his [illegible] separate lending limit [illegible] capital and [illegible]

I trust that this has been responsive to your inquiry.

Rosemarie Oda
Senior Attorney
Legal Advisory Services Division

* * *

292—June 20, 1984

This is to confirm Senior Attorney Larry Mallinger's oral response to your letter of February 1, 1983.[1] In that letter, you inquired whether a proposed loan to a limited partnership would be combined with an existing loan to the partnership's former general partner for purposes of 12 USC 84. Since both loans would finance the same construction project, Mr. Mallinger determined that the loans would have a common source of repayment, requiring their combination under the "common enterprise" rule of former Interpretive Ruling 7.1320, 12 CFR 7.1320 (Jan. 1, 1983).[2] I agree with Mr. Mallinger that the loans should be combined for the reasons stated below.

In your letter, you inquired whether the Bank could extend additional credit to complete the construction of an office warehouse center. The construction project was originally financed by the Bank under a loan agreement with the project's general partner. Advances of funds under the loan agreement ceased as a result of numerous defaults by the partner. The general partner had syndicated the project absent disclosure to the Bank, which was unaware that the general partner merely held title to the project as nominee for the limited partnership. Due to the financing and other problems associated with the project, the limited partnership obtained title to the project with the Bank's consent and removed the general partner from the partnership.

Assuming that the advances to the former general partner reached the Bank's lending limit, at issue is whether the Bank may advance funds to the limited partnership under 12 USC 84. In your letter, you suggest that no violation of Section 84 would result on the basis that (1) the limited partnership and the former general partner should be treated as separate

[1] Mr. Mallinger presented his opinion by telephone to meet your request for an expedient reply to your letter.

[2] *See also* 12 CFR 32.5(a)(2)(i), *reprinted in* 48 *Fed. Reg.* 15844, 15854 (April 12, 1983) (current rule requiring combination where common enterprise exists). You requested consideration of your question under 12 USC 84 as it existed prior to April 14, 1983, the date on which the amendments of Section 401 of the Garn-St Germain Depository Institutions Act of 1982 became effective. The regulations and interpretive rulings implementing the former statute have been replaced by 12 CFR Part 32. The amendment of section [illegible] have not, however, affected the resolution of your inquiry.

borrowers for lending limit purposes, or (2) the proposed advances would preserve the construction project and thus the security for repayment of the loans. As discussed below, it is my opinion that the loans would be combined under Section 84, and that extension of the proposed loan would violate the statute.

Based on the facts in your letter, it appears that the limited partnership is liable for the general partner's loan because the loan was executed in behalf of the partnership, or because the partnership subsequently ratified the contract. *See* 3 Am. Jur. 2d *Agency and Partnership* Section 268 (1962). It therefore appears that the loan to the general partner is essentially a loan to the partnership under general principles of state law. Since the proposed loan would be made to the limited partnership, both loans would be made to the same borrower.

Assuming, for the sake of argument, that the loans would be made to separate borrowers under general principles of law, at issue is whether the loans should be combined for purposes of 12 USC 84. Under former Interpretive Ruling 7.1320, loans to partners and other persons engaged in a common enterprise are to be combined as follows:

> (a) Under 12 USC 84, the obligations of several members of a partnership, regardless of the use of the proceeds, are required to be combined with obligations of the partnership.
> (b) In addition, where persons engaged in a common enterprise, whether in the form of a partnership, joint venture, or other association, individually borrow funds which are to be used in that enterprise, the loans must be considered as a single credit.

Thus, loans used in a common enterprise are to be combined regardless of whether the borrowers are partners or have any other formal relationship. Accordingly, the fact a general partner is removed from a limited partnership, standing alone, does not determine whether the borrowers' loans are used in a common enterprise.

One of the traditional tests for establishing the existence of a common enterprise is met when the expected source of repayment is the same for each borrower. In the present case, the purpose of both loans is to finance the same construction project. Based on the facts presented in your letter, it appears that repayment of both loans depends on the success of the project. Given the common source of repayment for the loans, it is my opinion the loans would be used for a common enterprise.

Assuming that a common source of repayment is absent, another traditional test employed by the Office would require the combination of the loans. As a general rule, any loan to Borrower A is to be attributed to Borrower B if the loan is used for the direct benefit of B. In applying this rule to the present facts, it is clear that the loan to the general partner was used to finance the construction project and was thus used for the direct benefit of the partnership. Accordingly, the loan to the general partner is to be attributed to the partnership.

In view of the above, it is my opinion that the proposed loan to the limited partnership would be combined with the existing loan to the general partner. Since the existing loan already equals the bank's lending limit, extension of the proposed loan would violate Section 84 unless a lending limit exception is applicable.

None of the facts presented in your letter suggests that the existing or proposed loan would fall under a lending limit exception. Nonetheless, you maintain that no violation of Section 84 should result from extension of the proposed loan because the loan would preserve the construction project and thus the bank's collateral. In essence, your contention is that the statutory limit on national banks' extensions of credit is overly restrictive in your case. As you know, the lending limit of 12 USC 84 was established by Congress. Increasing the statutory limit would generally require legislative rather than regulatory action.[3] It is my opinion, therefore, that the advancement of additional funds in excess of the limitations of Section 84 would constitute a lending limit violation regardless of whether the loan might arguably protect the bank. *See Federal Deposit Insurance Corporation* v. *Mapp's Executor*, 37 S.E. 2d 23 (Va. 1946). As a result, the proposed loan to the limited partnership would be held in violation of Section 84.

Aggregation of the loans in question would also be consistent with the purposes of Section 84:

> This section is intended to prevent one individual, or a relatively small group, from borrowing an unduly large amount of the bank's deposits for use in the particular business enterprises in which they are engaged. It is intended to safeguard the bank's depositors by spreading the loans among a relatively large number of persons engaged in different lines of business.
> (Former Interpretive Ruling 7.1310(b).)

[3] Accordingly, the [illegible] percent of a bank's capital and [illegible] the Garn-St Germain Depository [illegible]

[illegible] would [illegible] the same construction project. Segregation of the funds would prevent the bank from placing [illegible] funds at risk in the [illegible] thereby safeguard the bank's assets. Consequently, extension of the proposed loan would violate the language as well as the purpose of section 84.

I trust that this has been responsive to your inquiry.

Rosemarie [illegible]
Senior Attorney
Legal Advisory Services Division

* * *

293—May 11, 1984

This is in reply to your letter of February 21, 1984. Your letter concerns a national bank issuing a letter of credit (LOC) to back municipal industrial revenue bonds or similar facility offerings and at the same time acting as a trustee of the bond issue.

It remains our recommendation that a bank not act in these dual capacities. As you recognize, the dual capacities present a potential conflict of interest. The potential for conflict is of the magnitude that it should be avoided. From a regulatory standpoint, we are equally concerned with the bank fulfilling its trustee responsibilities and the impact on the bank upon which the LOC is drawn. The responsibilities of trustee and issuer of the LOC are antagonistic.

The Trust Indenture Act of 1939 allows a bank to act both as trustee and lender to the issuer. Recently, your client announced that it would remove itself as trustee of a utility bond issue since the bank was lending to the utility, which may seek court protection from creditors. In this situation, the bank, which had an outstanding line of credit to the utility, would have a conflict of interest when pressing its own credit claims versus those of the bondholders. Although acting as a trustee and having a lending relationship with the issuer is allowable, we perceive a greater potential conflict when acting as trustee and lender for the benefit of the bondholders.

In summary, we question the prudence of a bank acting both as trustee and issuer of an LOC. It places the bank in the unique position of drawing upon itself under the LOC. In [illegible] situation, the bank must [illegible] and faithfully [illegible] rather than being a [illegible] acting in the dual [illegible] ability [illegible]

You specifically did not request a ruling on this issue. You did request that our position be made public. It is our opinion that the issue does not need to be addressed by a banking issuance, but this letter will be placed in our public file.

Dean E. Miller
Deputy Comptroller
for Trust and Securities

* * *

294—July 10, 1984

This letter concerns a proposal by *** Bank to advance funds in excess of its lending limit to ***, the *** oil agency.

Background

Under the proposed transaction, the Finance Company (FC) and the Bank propose to extend credit to ***. Under this extension of credit, FC would make advances to *** by making payments on its behalf to U.S. suppliers of goods being purchased by *** in consideration of *** 5 year negotiable promissory notes in amounts equal to 85 percent of the value of the goods being purchased. The Bank, along with the other banks in a syndicate (the Funding Banks), would enter into an agreement with FC under which the Funding Banks would be obligated to purchase the notes in order to fund the advances made by FC. The advances made by FC to *** would be used to purchase goods used in oil construction facilities.

This Office has been in contact with counsel for the Bank, Mr. *** of the firm of *** regarding the proposed transaction. In a letter dated February 17, 1983, addressed to Charles F. Byrd, Acting Director, Legal Advisory Services Division, Mr. *** stated that *** obligation to repay the principal of and interest on the Notes would be insured by the Foreign Credit Insurance Association (FCIA) and the Export-Import Bank of the United States (Eximbank) under a Master Export Credit Insurance Policy and an accompanying Special Buyer Credit Limit (the Policy) issued to FC to cover all of the commercial and political risks of non payment of the Notes.

FC would assign the rights to the proceeds under the Policy to the Funding Banks.

According to the "Master Export Credit Insurance Policy" issued by FCIA and Eximbank (Form FCIA 800 I (4-82)) (Sample Policy), "commercial credit risks" are defined as losses arising from default with respect to the financed portion of an insured transaction, while

the loss is caused by the occurrence, after shipment, of (1) insolvency of the buyer; or (2) failure of the buyer to pay to the insured, within six months after the due date of payment, the amount due for products delivered to and accepted by the buyer. "Political risks" include inability to convert local currency payments into dollars, cancellation of export or import licenses, expropriation or confiscation, and losses due to war, revolution or civil disturbance. *Eximbank: What It Is, What It Does, What It Can Do For You* (March 1976).

Eximbank has now assured this Office that the entire extension of credit to ***—both commercial and political risk—will be insured exclusively by Eximbank. In a February 28, 1984, letter addressed to Larry J. Stein, Senior Attorney, Legal Advisory Services Division, from Joseph H. Gainer, an Eximbank Counsel, Mr. Gainer confirmed that the Reinsurance Agreement and Agency Agreement between Eximbank and FCIA have been revised as of September 23, 1983. As a result, Eximbank has assumed all liability for commercial risk formerly assigned to FCIA; it retains all liability for political risk.

Short Answer

Under the fifth exception to the national bank lending limit statute, loans and extensions of credit secured by unconditional takeout commitments of a federal government entity are not subject to any limits based on capital and surplus. 12 USC 84(c)(5). Therefore, the Bank's loan to ***, backed by Eximbank insurance, may be made without regard to the national bank lending limit.

Discussion

Under the national bank lending limit, 12 USC 84(a)(1), the total loans and extensions of credit by a national bank to any person outstanding and not fully secured as described in Section 84(a)(2) may not exceed 15 percent of the unimpaired capital and unimpaired surplus of the bank. The statute defines "loans and extensions of credit" to include "indirect" advances of funds. 12 USC 84(b)(1). The Funding Banks' agreement to purchase *** notes from FC would represent an indirect advance of funds to *** subject to the Section 84 lending limit. The lending limit statute is subject to certain exceptions. The fifth exception states:

> Loans or extensions of credit to or secured by unconditional takeout commitments or guarantees of any department, agency, bureau, board, commission, or establishment of the United States or any corporation wholly owned directly or indirectly by the United States shall not be subject to any limitation based on capital and surplus.
> (12 USC 84(c)(5).)

Eximbank is an independent corporate agency of the United States created to aid in financing imports and exports. In order to foster exports of goods and services, Eximbank is empowered to, among other things, provide guarantees, insurance and extensions of credit at rates competitive with "Government-supported" rates. 12 USC 635(b)(1)(A). Contractual liabilities of Eximbank incurred under the authority of its governing statute, 12 USC 635, constitute full faith and credit general obligations of the United States. 42 *Op. Att'y Gen.* 327 (1966). FCIA is an association of private insurance companies which, under an agency agreement and a reinsurance agreement with Eximbank, has offered U.S. exporters a variety of insurance policies covering the risks of non-payment on their short and medium term export receivables.

As noted, in order for a loan to qualify for this exception from the lending limit, the federal government guarantee must be unconditional. A guarantee or commitment is unconditional

> if the protection afforded the bank is not substantially diminished or impaired in the case of loss resulting from factors beyond the bank's control. Protection against loss is not materially diminished or impaired by procedural requirements, such as an agreement to take over only in the event of default, including default over a specific period of time, a requirement that notification of default be given within a specific period after its occurrence, or a requirement of good faith on the part of the bank.
> (12 CFR 32.6(e)(4) (1984).)

The terms of payment provided for in the Sample Policy satisfy this unconditionality requirement. As an independent agency of the United States, Eximbank meets one criterion listed at 12 USC 84(c)(5). An entity which is not an establishment of the United States or wholly owned by the United States would not meet the requirements for this exception.* Eximbank's agreement to assume all liability for commercial risk which, in the past, had been insured by FCIA removes the major impediment to the application of exception 5 to the *** loan.

One remaining issue is the requirement that "the commitment or guarantee must be payable in cash or its equivalent within sixty days after demand for payment is made." 12 CFR 32.6(e)(3) (1984). As the preamble to 12 CFR Part 32 explains, unlimited lending based on a secondary source of repayment such

* As a private association of insurance companies, FCIA [illegible] would not meet this test. Therefore, bank extensions of credit [illegible] insured in part by FCIA would not qualify for the [illegible] exception contained in Section 84[illegible].

as a guarantee or collateral would require that the repayment source be both creditworthy and liquid. The 60 day requirement will ensure that the protection afforded by the guarantee is liquid. 48 *Fed. Reg.* 15,849 (1983).

Under Section VII of the Sample Policy, "Proof and Payment of Claims," payment by Eximbank for loss due to political risks is as follows: "payment will be made . . . within *three* months after submission of the best evidence reasonably available to the insured that . . . [the technical requirements of the Sample Policy] have been complied with." In the alternative, Eximbank will make payment within *three* months after submission of evidence of the occurrence of one of the events listed in the Sample Policy, such as war or confiscation of insured goods.

Notwithstanding these provisions of the Sample Policy, you have confirmed that Eximbank "intends to pay all adequately documented and otherwise valid claims . . . within (60) days after their receipt." Letter from Warren W. Glick, General Counsel, Eximbank, to Larry J. Stein, Senior Attorney, Legal Advisory Services Division (May 29, 1984). By the terms of your letter, the Eximbank commitment to pay applies only to insurance coverage on national bank loans to ***.

This exception to the lending limit statute applies, however, only to the portion of the credit actually covered under the Eximbank insurance policy. Under the Sample Policy's "Limitations of Liability," the amount of the guarantee for any particular buyer or transaction shall be the "amount of the Discretionary Credit Limit authorized in the [policy] declarations." The amount of Eximbank's liability with respect to <u>any one buyer</u> "shall not exceed the insured percentage of the amount of the credit limit . . . for the particular buyer. [T]he total liability of [Eximbank] under this policy shall not exceed the aggregate limit authorized in the declarations."

If you have any questions, please do not hesitate to contact me at (202) 447-1896 or Mr. Stein at (202) 447-1880.

Richard V. Fitzgerald
Acting Chief Counsel

* * *

295—July 3, 1984

This is in answer to your letter of August 31, 1982, addressed to the Deputy Comptroller for Multinational Banking, concerning a proposal by *** Bank to initiate a Political Risk Standby Letter of Credit Program ("Program"). I apologize for the considerable delay in response that resulted from a combination of the complexity of the issue and untimely personnel shifts.

Specifically, you describe the Program in pertinent part, as follows:

> The Bank, for a fee, would protect other commercial or institutional lenders against political risks pertaining to offshore loans made by them. The risks involved would include action by the relevant local government which would prevent payment when due, such as foreign exchange controls preventing conversion of local currency to dollars, revocation of licenses, either in respect of the loan itself, expropriation or nationalization of the borrower, if it resulted in non-payment, insurrection or conceivably war and other similar difficulties.
>
> The Bank would issue [standby letters of credit] payable upon presentation of the covered lender of a draft or other request for payment accompanied by his certificate that the borrower has failed to pay for a period of time . . . because of the occurrence of local governmental action within the categories described above, together with an assignment of all his claims against the borrower, any guarantor and the local government, and of collateral held, if any.

For a clearer understanding of the proposed transaction, let us assume in the following discussion that a regional bank (RB) has financed the import of manufacturing equipment by a private Mexican concern. RB would pay the Bank to issue a standby letter of credit which would become activated if the Mexican borrower defaulted on the loan as a direct result of actions taken by the Mexican government. Once the Bank paid out on the standby, it would accede to the rights of RB to collect from the Mexican borrower.

Ultra Vires

It has long been established that it is beyond the powers of a national bank to issue guarantees, except in certain very limited circumstances not applicable here. *See Border National Bank* v. *American National Bank*, 282 F. 73 (5th Cir. 1922); *Bowen* v. *Needles National Bank*, 94 F. 925 (9th Cir. 1899) *cert. denied*, 126 U.S. 682 (1900); 12 CFR 7.7000, 7.7010, 7.7012, 7.7015 (1983). It is also well-established that, normally, national banks may not issue insurance contracts. *See* 12 USC 24 (Seventh), 92. *Cf.* 12 CFR 2 (national banks may sell, but not underwrite, credit life insurance to their loan customers).

National banks may, however, write letters of credit for their customers. 12 CFR 7.7016. Under the Uniform Commercial Code, a "letter of credit" is defined

broadly as "an engagement by a bank . . made at the request of a customer . . . that the issuer will honor drafts or other demands for payment upon compliance with the conditions specified in the credit . . ." Section 5-103(1)(a). The UCC definition merely defines instruments which will be governed by the substantive provisions of the UCC. Clearly, it does not act to authorize national banks to issue any type of instrument which fits within its broad definition. Therefore, a specific type of letter of credit is not necessarily permissible for national banks merely because it fits within the UCC definition of "letter of credit."

Similarly, specific instruments are not excluded from the definition of letter of credit simply because they do not conform to the five requirements listed in 12 CFR 7.7016(a)-(e). As the Office has repeatedly stated, the five requirements are "merely" matters of "sound banking practice;" they do not circumscribe the limits of the "no guaranty" rule, nor do they serve to limit the applicability of Article 5 of the UCC. Thus, the presence or absence of the five requirements of IR 7.7016 is not, in and of itself, indicative of whether a letter of credit is, in reality, an impermissible guarantee.

The better test for determining whether a particular instrument is a permissible letter of credit or an impermissible guarantee or insurance contract is, in my opinion, a functional one. The starting point is to restate the nature of a "true" letter of credit transaction. Stripped to its essentials, a letter of credit is a transaction where a bank, for a fee, proclaims to the world in a legally binding document that it stands behind the obligations of its customer in a particular transaction. *See* H. Harfield, Bank Credits and Acceptances 4–12 (5th ed. 1974). As Harfield points out again and again in his book, such a bank obligation functions in much the same way as does a loan of bank funds. From the bank customer's point of view, the bank has made its funds available to the customer and the customer, should he use the funds, will be obligated to repay the bank. From the bank's point of view, the bank has put its funds at risk and is relying upon the customer to repay the funds. In both cases, the bank has analyzed the risks of nonpayment, as safe and sound banking practice dictates that it must.

How does a guarantee differ? Harfield goes to great lengths to show that one of the primary elements distinguishing a surety from a banker issuing a letter of credit is the question of what types of risks are being evaluated. The banker looks to the creditworthiness of the party at risk (usually his customer); the surety looks to the statistical probability that events will occur which will prevent his principal (or customer) from performing a particular contract. *See* Harfield, *supra*, at 163–165. In response to the argument that, in modern transactions, these two types of risk analysis often overlap, Harfield argues as follows:

> The prime inquiry by a surety may well be as to the ability of his principal to perform the principal's engagement with the obligee of the bond. The primary concern of a banker, on the other hand, relates to his customer's ability to meet financial engagements. It may well be appropriate for a surety to disregard his principal's ability to perform a commitment if he is satisfied that the principal's financial condition is such that the principal can respond to a demand for money. The ability of the customer to respond to a demand for money at a particular time, however, is, or should be, the sole criterion of the banker. If the banker, in the exercise of his informed credit judgment, decides that his customer will be capable of making a money payment at a particular time and in a particular amount, then the banker is justified in undertaking to make that payment on behalf of the customer, and it is of almost no moment whether the commitment is in the form of a present advance of funds, an undertaking by way of an unconditional commitment to lend to the customer, or by way of a commitment to third parties to make the payment on behalf of the customer at the time and in the amounts specified. If, on the other hand, the banker assumes the role of a surety and makes a commitment on the assumption that this customer's mercantile capacity is such that the banker's commitment will not be called upon, that is neither sound nor appropriate banking practice.

The Program proposed by the Bank, in my opinion, bears a strong functional resemblance to the traditional role of the surety. Certainly, there is absolutely no credit evaluation to be undertaken by the Bank. The Bank will not be writing its standbys based upon the credit standing of the foreign borrower. Although the Bank will be making certain assumptions about the foreign borrower's ability to repay (based upon RB's credit analysis, no doubt), the Bank's only analysis will be of the political and economic circumstances of the country involved. Like the traditional insurer, the Bank will be relying upon the laws of large numbers and making assumptions regarding the risks that certain events will or will not occur. Actions of this sort are in no way comparable to those of traditional bankers.

A further indication that the Bank's proposal is accurately characterized as insurance is the following excerpt from your memorandum describing the Program.

- [M]ost political risk coverage in the U.S. is supplied by government entities (FCIA and Exim

Bank. . . . Buyers of political risk insurance have expressed some dissatisfaction with non-bank products available on the market today. . . . A Bank offering which overcomes some of these problems could expect to find a ready market. . . . The addition of political risk coverage to the Bank's product line will be widely viewed as enhancing our ability to serve the trade finance needs of our customers. . . . (p. 2) (Emphasis added.)

- We intend to actively explore ways to lay off portions of such risk with others through syndication, reinsurance, or similar vehicles. . . . (p. 3)
(Emphasis added.)

- The Bank product would both complement and compete with FCIA and other political risk insurers. . . . A heightened awareness of the need for political risk insurance has appeared over the past few years. . . . We think that we should be allowed to participate in the projected continuing growth of this profitable new stream of income. (p. 4)
(Emphasis added.)

Thus, the Bank itself views its new product very frankly as an insurance device, rather than a credit program.

Finally, it shoud be noted that the Program is essentially different from the standby letters of credit generally permitted to banks. In a traditional standby, we have often talked of the fact that the bank's duties will be solely ministerial and of the fact that the bank will under no circumstances be involved in disputes surrounding the underlying contract between the account party and the beneficiary. Here, on the other hand, the Bank, if it pays out on the standby, will not only be involved in the underlying contract, but will, in fact, be stepping right into the shoes of RB. Thus, any dispute between RB and the Mexican borrower will become a dispute between the Bank and the Mexican borrower. If the Mexican borrower asserts, for instance, that the loan was illegal under Mexican law, the Bank will have to litigate that issue in order to receive payments. Similarly, if the Bank's customer is a manufacturing exporter (rather than RB), the Bank may have to litigate against a Mexican borrower who refuses to pay because the merchandise is allegedly defective. Once again, involvements of this sort were not contemplated when the Office originally held that national banks can issue standby letters of credit.

Interpretive Ruling 7.7016

Interpretive Ruling 7.7016 (12 CFR 7.7016) sets forth five elements which, as a matter of sound banking practice, should be present in all bank letters of credit. You maintain that the first four elements are present in the Program. I do not share that view. The fourth requirement of IR 7.7016 reads as follows:

> (d) the bank's obligation to pay should arise only upon the presentation of a draft or other document as specified in the letter of credit, and the bank must not be called upon to determine questions of fact or law at issue between the account party and the beneficiary. . . .
> (Emphasis added.)

As indicated earlier, under the Program the Bank could not comply with the underlined language. That is because, were the Bank to pay a draft, it would accede to all of the "beneficiary's" (RB's) rights against the "account party" (Mexican borrower). Inevitably, issues of law and fact in the underlying contract would arise in the course of attempting to collect on the loan.

With respect to the fifth requirement, set forth under subsection (e) of Interpretive Ruling 7.7016, *i.e.*, "the bank's customer should have an unqualified obligation to reimburse the bank for payments made under the letter of credit," I agree with you that a waiver would be necessary for the Program to be authorized. Since other adequate and independent facts militating against approval of the Bank's proposal already have been identified, I will not belabor the point that such a waiver is inadvisable. Suffice it to say that the requirements of IR 7.7016 were imposed because of safety and soundness concerns; I see nothing in the proposal at hand to alleviate those concerns.

For the reasons stated above, the Bank's request for waiver of 12 CFR 7.7016(e) in connection with its proposed Political Risk Standby Letters of Credit program is denied. Furthermore, it is the opinion of the Office that the Program, as proposed, exceeds the powers of a national bank.

Richard V. Fitzgerald
Acting Chief Counsel

* * *

296—July 19, 1984

This is in response to your letter of June 22, 1984, concerning the enforceability of due-on-sale clauses contained in residential loan contracts purchased by non-national bank lenders from national banks.

Specifically, you request an opinion as to whether a state chartered institution, such as your client bank, holding national bank originated one- to four-family

residential loans may enforce due-on-sale clauses in accordance with 12 CFR 30, the Comptroller's due-on-sale regulation. Under Part 30.1(b)(1)(i) national banks generally are permitted to enforce due-on-sale clauses in such loans for transfers occurring after April 15, 1984. You suggest that the regulation is ambiguous on this issue because Part 30.1(b)(1)(i) omits any reference to a national bank's "assignee" or "transferee," whereas Parts 30.1(a) and 30.1(b)(2) explicitly include assignees and/or transferees within their purview.

Although not explicit in Part 30.1(b)(1)(i), the terms "assignee" or "transferee" are implied by the structure and scope of the regulation and the statutory authority on which it is based. As you know, section 341 of the Garn-St Germain Depository Institutions Act of 1982 (Act), codified at 12 USC 1701j-3, establishes a federal preemption of state restrictions on the enforcement of due-on-sale clauses. The preemption is subject to a "window period" of unenforceability for real estate loans originated in those states that, prior to the enactment of Section 341, had prohibited the enforcement of due-on-sale clauses.

With particular regard to California, the window period begins on August 25, 1978, the date of the California Supreme Court decision in *Wellenkamp* v. *Bank of America*, 148 Cal. Rptr. 379, 582 P.2d 970 (1978), and ends on October 15, 1982, the date of enactment of Section 341. Due-on-sale clauses contained in real estate loans originated by California lenders during that period may only be enforced for transfers occurring after October 15, 1985, except that the Comptroller of the Currency may otherwise regulate for national banks, and the California legislature may do likewise for other lenders in the state.

Pursuant to its authority under Section 341, in 1983 the Office issued 12 CFR Part 30 to regulate loans originated by national banks in window period states. More to the point, Part 30.1(b)(1) is deliberately intended to allow full enforcement of due-on-sale clauses after April 15, 1984, on all one- to four-family residential loans originated by national banks, regardless of whether the present holder of such loans is or is not a national bank.

I reach that conclusion based on the language in Section 341(c)(1)(B):

> The Comptroller of the Currency with respect to real property loans <u>originated by national banks</u> . . . may, by regulation prescribed prior to the close of such period, otherwise regulate such contracts. . . .
> (Emphasis added.)

The focus of that provision is plainly on the type of bank at the time that the loan is originated. Such a legislative intent is further reflected in the Senate report accompanying the Act:

> The identity of the lender at the time the loan was originated determines whether or not a loan is subject to window period restrictions. For example, a loan originated by a state chartered savings and loan association which subsequently converted to a federally chartered thrift will be subject to state due-on-sale restrictions for three years, unless state action provides other treatment for such loan. Similarly, a loan originated by a state chartered bank, which subsequently converted to a national bank, will be subject to state due-on-sale restrictions for three years unless the state acts, and Comptroller of the Currency regulations concerning due-on-sale will not affect this loan.
> (S. Rep. No. 536, 97th Cong. 2d Sess. 24, *reprinted in* 1982 U.S. Code Cong. & Ad. News 3054, 3078.)

Although the examples described in the legislative history involve conversions, it is apparent that Congress intended the status of the loan to remain constant despite changes in the type of institution holding the loan.

Similarly, the preamble to Part 30 published in the Federal Register indicates the Office's intent to regulate due-on-sale clause enforcement in real estate loans originated or acquired by national banks. In explaining the difference between the final version of Part 30.1(d), regulating loans purchased by national banks, and the version contained in the proposed rule (48 *Fed. Reg.* 31232 (1983)), the preamble states:

> This amendment is consistent with the legislative history of the Act which indicates that the identity of the lender at the time the loan was originated is the determinative factor regardless of the date the loan was acquired. *See* S. Rep. No. 97-536, 97th Cong., 2d Sess. 24 (1982). Further, enforcing due-on-sale clauses in accordance with laws and regulations which govern the originating lender more closely comports with the expectations of the parties.
> (48 Fed. Reg. 51283, 51285 (1983).)

For the sake of consistency and coherence, it is essential that rules governing due-on-sale clauses in real estate loans originated by national banks be applicable under all circumstances, whether the loan remains with a national bank or is assigned or transferred to another lender. Accordingly, in my opinion your client bank may enforce due-on-sale clauses in

[illegible] estate loans originated by national banks for [illegible] after April 15, 1984.

I trust that this is responsive to your inquiry. If you have further questions, please contact Madonna K. Starr, Attorney, Legal Advisory Services Division, at (202) 447-1880.

Jonathan L. Levin
Senior Attorney
Legal Advisory Services Division

* * *

297—July 23, 1984

This is in response to your letter of December 20, 1983, concerning the treatment of international banking facility (IBF) time deposits for purposes of the capital equivalency deposit requirement applicable to Federal branches and agencies of foreign banks.

Specifically, you suggest that the Comptroller's Office has authority under the International Banking Act of 1978 (12 USC 3101 *et seq.*) (Act) to exempt IBF liabilities from the base amount upon which a capital equivalency deposit is calculated. You request that the Office exercise that authority to establish such an exemption. As justification you cite the disincentive, created by inclusion of IBF liabilities, for Federal branches and agencies to bring offshore business into this country. In further support of your request you note that New York State recently exempted IBF liabilities from its asset pledge and asset maintenance requirements applicable to state-chartered branches of foreign banks.

In reviewing the Act and related materials I am unable to find sufficient legal authority for the Office to consider establishing the exemption you request. Under Section 3102(g)(2) of the Act a Federal branch or agency must maintain a capital equivalency deposit in an amount not less than the amount of capital required of an organizing national bank or 5 percent of the total liabilities of the Federal branch or agency, whichever is greater. That section also expressly excludes from total liabilities accrued expenses and amounts due and other liabilities to offices, branches, agencies, and subsidiaries of the foreign bank in question. Although the Office is given considerable latitude to issue rules establishing asset maintenance requirements, that authority is limited to fixing capital equivalency deposits at levels higher than those outlined in the statute, [illegible] Section [illegible]:

[illegible] shall be main-tained in such amounts as he may from time to time deem necessary or desirable, for the maintenance of a sound financial condition, the protection of depositors, and the public interest, but <u>such additional amount</u> shall in no event be greater than would be required to conform to generally accepted banking practices as manifested by banks in the area in which the branch or agency is located.
(Emphasis added.)

Similarly, although Section 3102(g)(4) grants the Office discretion to prescribe "conditions and requirements" for asset maintenance and to fix the "types" and "amount" of such assets, it also requires that account be taken of the "assets required to be maintained pursuant to paragraphs (1) and (2) of this subsection." Consequently, it is my opinion that the capital equivalency deposit calculation mandated by Section 3102(g)(2) is intended to construct a floor below which the Office has no authority to drop.

In citing the *** experience, you allude to the issue of parity of treatment between state and Federal branches and agencies of foreign banks. Although the legislative history of the Act indicates that some early versions explicitly provided for equal treatment under state and Federal law, *See* H.R. Rep. No. 1193, 94th Cong., 2nd Sess. 16 (1976) (describing Section 9 of H.R. 13876), the version enacted into law is devoid of any such provision. Therefore, I must assume that Congress did not intend that competitive equality in this particular area be treated as an overriding concern.

Furthermore, I noted that the recent exemptive action by the *** State Superintendent of Banks was authorized only after adoption of a 1980 amendment to the counterpart provision to Section 3102(g) in state law. It is my opinion that a similar change in the Federal statute would be necessary to authorize the Office to exempt IBF liabilities from the calculation of capital equivalency deposits.

In view of the fact that insufficient legal authority exists for granting the requested exemption, I do not address the implications for safety and soundness that such an action would have. Particularly, I would consider the integrity of the capital equivalency deposit as the primary liquidating base for domestic liabilities to be of critical concern in that regard.

I trust that this is responsive to your letter.

William A. Ryback
Director
International Banking Activity

* * *

298—July 23, 1984

This responds to your April 30, 1984 letter to Deputy Comptroller Robert J. Herrmann concerning the Bank's proposal to acquire an operating subsidiary, ***

According to your letter, the Bank intends to transfer to *** its currently existing investment advisory contracts with open-ended investment companies. These contracts are presently being handled in the Bank's trust department. Consequently, *** will register as an investment adviser with the Securities and Exchange Commission pursuant to the Investment Company Act of 1940, 15 USC 80a-8. In addition, *** will provide investment advice to other persons, including individual or institutional Bank customers, trust department of financial institutions (including the Bank's trust department), to pension and other retirement plans and profit sharing and stock bonus plans.

Due to the restrictions of the Glass-Steagall Act, 100 percent of the open-ended investment companies' directors will be independent of the Bank and of *** The Bank and *** will neither control the companies nor participate in any manner in the distribution or underwriting of company shares.

It is the opinion of this Office that a national bank may provide investment advice pursuant to the fiduciary powers granted it pursuant to 12 USC 92a. In addition, in the view of this Office, the provision of investment advice is an activity incidental to banking pursuant to 12 USC Section 24(7). *See, e.g.*, Decision of the Comptroller of the Currency Concerning an Application by American National Bank of Austin, Texas, to Establish an Operating Subsidiary to Provide Investment Advice (Sept. 6, 1983). The United States Supreme Court has recognized the apropriateness of a bank providing such services, and has likened the role of an investment adviser to the traditional fiduciary activities of banks. *Board of Governors of the Federal Reserve System* v. *Investment Company Institute*, 450 U.S. 46, 55-63 (1981). In particular, this Office has previously reviewed the investment advisory activities of the Bank's trust department. See Assistant Chief Counsel Ford Barrett's May 12, 1982 letter to *** The Bank's activities did not appear to violate any provision of the Glass-Steagall Act, and this Office found no grounds to object to the Bank's activities as they were described.

Based solely upon the description of services contained in your letter, this Office will not object if the Bank implements its plan for providing investment advice through *** Please be advised, however, that different facts could lead to a different analysis. Our conclusion will be reevaluated if the Bank undertakes any activities in addition to or in lieu of those described.

David L. Chew
Senior Deputy Comptroller

* * *

299—February 6, 1984

This is in response to your January 1984 commenting on Banking Bulletin 83-57 (BB-57).

Please be advised that BB 83-57 focuses solely on remedial action to be taken when a violation of 12 CFR 9.10(a) has been determined. The strictures of BB 83-57 will not be applied to those banks that have, since July 26, 1982, adopted and followed "written policies and procedures intended to ensure that the maximum rate of return available for trust-quality short-term investments is obtained" for idle cash funds, "consistent with the requirements of the governing instrument and local law." Such policies should "take into consideration all relevant factors, including but not limited to the anticipated return obtainable while the cash remains uninvested or undistributed, the cost of investing such funds and the anticipated need for the funds." This Office will accept any reasonable measure of what constitutes the maximum available rate. A bank, however, must necessarily compare its measure over time against other short term vehicles to periodically determine the maximum rate prudently available.

On the other hand, the bulletin does apply to instances where a national bank has not made a good faith effort to comply with 12 CFR 9.10(a). Typical examples of noncompliance are where a bank fails to establish or follow appropriate cash investment policies and procedures and, without analysis, simply places all idle principal cash in passbook accounts or income cash in demand deposits for substantial periods of time. In such cases, the bank will be expected to take the corrective measures described in BB 83-57. Where reimbursement is deemed appropriate, this Office considers the leading money market fund rates to be an acceptable index.

It is not the intent of this Office to supplant a banker's future judgment or second guess past investment decisions by dictating a money market rate for idle cash balances. Thus, a bank which has attempted in good faith, to comply with 12 CFR 9.10(a) but placed cash in investment vehicles yielding less than the leading money market funds, will not be expected to pay the difference to the accounts involved. Nor would this Office expect a bank to realize the difference if the

investment yielded more than the money market funds. However, to reiterate, the money market fund concept will be applied to those cases where no attempt has been made to obtain a rate of return that makes the account as productive as prudently possible.

Based on the information provided in your letter, it appears that BB 83-57 is not currently applicable to The National Bank. We hope this letter has clarified our position. Also, please find enclosed a copy of a memorandum sent to our examiners on this topic. Should you have further questions, you may contact Dean E. Miller, Deputy Comptroller for Trust and Securities, (202) 447-0447.

H. Joe Selby
Senior Deputy Comptroller for Bank Supervision

* * *

300—April 26, 1984

This is in reply to your letter of March 21, 1984, concerning the Bank's trustee fees for its management and administration of certain collective investment funds.

The Bank presently does not charge participants in the funds a trustee fee at the account level. The Bank does charge a trustee fee to each collective investment fund administered for participation by qualified employee benefit accounts. The Bank does not charge a participating account more for investing through one of these funds than would be charged for individual investment management.

For competitive reasons, the Bank is contemplating granting a fee concession to each participating account which invests more than a specified dollar amount in a fund. Although it has not definitively established the minimum investment required to qualify, the concession will be perhaps $15 million. The investment by participating accounts of the same employer or affiliated employers will be aggregated in order to determine the minimum amount qualifying for a concession. The participating account consisting of funds attributable to a collective investment fund maintained by another bank or trust company will be treated as one account.

The concession under consideration is a reduction in a participating account's proportionate share of the fee charged to the fund. The fee concession would be implemented by means of the Bank applying the portion of the total fee equal to the dollar amount of the concession immediately following its receipt by the Bank to the purchase of additional fund units. In effect, the Bank would be rebating a portion of its total management fee by purchasing fund units for specific accounts. The fee concession and any modifications thereof would be communicated in writing to participating accounts and prospective fund participants.

It is our opinion that the proposed fee concession conforms with 12 CFR 9.18(b)(12). Presently, no account is charged an additional fee as a result of participating in a pooled or group collective investment fund. As a result of the fee concession, no participating account will be charged a greater fee for participating in the collective investment funds that would be charged had the account not participated in the fund. Although all participants in the fund will not be charged the same management fee, this is consistent with charging reduced fees for large accounts that are individually invested.

We trust that this is fully responsive to your inquiry.

Dean E. Miller
Deputy Comptroller for Trust and Securities

* * *

301—June 14, 1984

You have requested an opinion concerning the use of stock index and interest rate futures for a family trust, trusteed by a national bank. You have determined that local law and the trust indenture do not pose a problem concerning these types of investments.

This Office has no objection to a national bank engaging in any type of exchange-traded futures contracts for the benefit of its trust accounts. The legality of the transactions in futures or forward placements depends upon the instrument establishing the fiduciary relationship and rules of investment governing a specific trust account, which in this instance would be local law. In addition to legality, any use of futures contracts should fit within the established investment guidelines and objectives for a particular account.

As legal counsel to the family trust, you may wish to consider amending the governing instrument for the trust to grant authority for the specific type of activity in which the trust will be engaging (see Trust Banking Circular No. 14, Minimal Guidelines, copy enclosed). In the event the bank is not currently engaging in the futures markets for other trust customers, it may be helpful if the guidelines contained in Trust Banking Circular were pointed out.

If you have any further questions, please contact me at (202) 447-1901.

Lisa J. Lintecum
National Trust Examiner
Investment Securities Division

* * *

302—February 21, 1984

This is in reply to your letter of December 19, 1983.

The *** (the Bank) is authorized to exercise fiduciary powers. The Bank is presently acting as custodian of Keogh and Individual Retirement Accounts (IRA). These custodial accounts are non-discretionary and are administered by the commercial department of the Bank. The governing instruments for the accounts presently restrict investments to savings accounts or time deposits of the Bank.

The Bank would like to amend the Keogh and IRA agreements to allow participants to direct the investment of their accounts in securities purchased through the Bank's discount brokerage service. On January 27, 1975, this Office issued Banking Circular No. 61, which recognized that national banks without fiduciary powers may act as custodian of IRAs and self-employed retirement accounts, if such accounts are funded only in savings accounts or time deposits of the Bank. The Bank desires to administer these custodial accounts in the commercial department of the Bank and allow investments to be directed through its discount brokerage service without violating the intent of Trust Banking Circular No. 61.

Trust Banking Circular No. 23, issued October 4, 1983, permits transactions to be placed through affiliated discount brokerage companies if specific authority exists in the appropriate governing instrument. Since each custodial account will be amended to specifically authorize the use of the affiliated discount brokerage firms, the requirements of this Banking Circular will have been met. We assume that the amendment will direct the Bank to utilize the affiliated brokerage firm. If the amendment merely authorizes the utilization of an affiliated firm, then the Bank would have a fiduciary duty to seek best execution.

In a true custodial relationship, the agent exercises no discretionary authority. Therefore, the beneficiary should specifically direct the custodian as to which discount broker should be utilized in executing transactions, and the specific security to be purchased. Also, the custodian should not render investment advice to the beneficiary.

Trust functions can be administered by a bank having fiduciary powers in any department of that Bank. The only criteria is that 12 USC 92a and 12 CFR 9 apply to those functions, wherever located. From this, you will see that the Bank may offer its IRA accounts, be they custodial or trustee, at any location it chooses subject to the above limitations. For your information, it appears that a custodian of an IRA account is not absolved of all fiduciary liability. Section 408(h) of the Internal Revenue Code provides that custodial accounts shall be treated as trusts, if the assets of such accounts are held by a bank, and the custodian of such accounts shall be treated as trustees thereof.

I hope that this is fully responsive to your inquiry.

Dean E. Miller
Deputy Comptroller for Trust & Securities

* * *

303—August 3, 1984

This is in response to your letter of July 17, 1984, concerning the applicability of 12 CFR 29 to fraternity houses. As you are aware, 12 CFR 29.1 defines an adjustable-rate mortgage (ARM) loan as "any loan made to finance or refinance the purchase of an secured by a lien on a <u>one- to four-family dwelling</u>, including a condominium unit, a cooperative housing unit, or a mobile home, ..." (emphasis added). At issue is whether a fraternity house is a "one- to four-family dwelling" within the meaning of the regulation. I believe that it is not for the reasons set forth below.

Although the phrase "one- to four-family dwelling" is not defined in 12 CFR 29 or in related statutes and regulations, the use of the phrase in other contexts indicates that a fraternity house would not be within the reach of the ARM regulation. The National Housing Act, 12 USC 1701–1750, and its regulations appear to be the only other laws that use the identical phrase "one- to four-family dwelling." Although no definition of the phrase appears anywhere in the Act, it is used throughout to mean a building designed for one to four families and used primarily for residential purposes. Under this interpretation, a fraternity house could not be construed to be a one- to four-family dwelling because its primary use is not residential. Many, if not most, of the fraternity brothers who use the house (for parties, meetings, etc.) do not live there.

Zoning laws generally support this view. Under these laws, a fraternity is not a family and use of property for fraternity purposes is not a use for residential purposes. 82 Am. Jur. 2d, *Zoning and Planning* Section 117 (1976). Fraternity houses engage in too much

nonresidential activity (rush parties and boisterous conduct, for example) to be considered residential. *City of Long Beach v. California Lambda Chapter*, 255 Cal. App. 2d 789, 63 Cal. Rptr. 419 (Ct. App. 1967). Furthermore, fraternal organizations are not families for zoning law purposes. *City of Schenectady v. Alumni Ass'n of Union Chapter*, 5 A.D.2d 14, 168 N.Y.S.2d 754 (App. Div. 1957) (college fraternity with 23 resident members was not a single family); *Cassidy v. Triebel*, 337 Ill. App. 117, 85 N.E.2d 461 (App. Ct. 1948) (sorority was not a family within the meaning of a zoning ordinance).

Additionally, this view is consistent with this Office's primary purpose test for whether a loan is subject to the ARM regulation, that is, whether the primary purpose of a loan is to acquire a one- to four-family dwelling. *See* Comptroller's Interpretive Letter No. 240, [1983–1984 Transfer Binder] Federal Banking Law Reporter (CCH) ¶85,404 (discussing whether an agricultural loan needed to purchase farmland on which a family residence is situated is an ARM for purposes of 12 CFR 29).

In summary, I do not consider a fraternity house to be a "one- to four-family dwelling" for purposes of the ARM regulation. This view is supported by case law on zoning and is consistent with the policy of this Office.

I trust that this is responsive to your inquiry. If you have further questions, please do not hesitate to contact Rosa M. Koppel, Attorney, Legal Advisory Services Division, at (202) 447-1880.

Jonathan L. Levin
Senior Attorney
Legal Advisory Services Division

* * *

304—August 17, 1984

This is in response to your letter of July 30, 1984, concerning your client, Bank A (A), in its capacity as trustee under bond indentures. A is an affiliate of Bank B (B) by virtue of its recent acquisition by Bank Holding Co. (BHC), the parent holding company of B.

B issues standby letters of credit in connection with the sale of state and local government revenue bonds. You note that the government issuer of the bonds is acting as a conduit for one or more underlying borrowers. This would make the issuer and, in some cases, the borrower the customer or account party of B. It is contemplated that in some transactions A will be trustee for the bondholders. According to the standby letter of credit and trust arrangement, the trustee would be required to draw under the standby letter of credit an amount equal to the aggregate principal amount of the bonds outstanding (and accrued interest in some cases) if payment is not made from "standard sources," *i.e.*, from the borrower or from various trust funds. In other words, the trustee is the beneficiary of B standby letter of credit. In the event of such a draw, B, would take standby notes or otherwise be in a workout position with its customer (presumably the issuer of the revenue bonds, the underlying borrower, or both).

You ask that we conclude that it is not an impermissible potential conflict of interest for B to issue a standby letter of credit to support the sale of revenue bonds, and for A to be the trustee with the duty to draw on the standby letter of credit on behalf of the bondholders in the event of a default.

You point out that (1) B and A operate as separate and autonomous entities, though affiliated by virtue of common ownership; (2) the choice of trustee is commonly made by the issuer of the revenue bonds or the underlying borrower with approval of the underwriter; (3) the roles of the two banks are automatic and nondiscretionary, *i.e.*, in the event of default ANB as trustee must demand payment from B and B must make said payment under its standby letter of credit; and (4) after the draw B will be "in" as the lender to the issuer of borrower, and A and the bondholders will be "out." If there is a partial default, and hence a partial draw on the standby letter of credit, the interests of the trustee and the bondholders would be reduced accordingly.

As you know, in a May 11, 1984, letter we recommended that a national bank not issue a standby letter of credit (LOC) to back municipal industrial revenue bonds or similar facility offerings and at the same time act as a trustee of the bond issue. That letter stated in pertinent part:

> It remains our recommendation that a bank not act in these dual capacities. As you recognize, these dual capacities present a potential conflict of interest. The potential for conflict is of the magnitude that it should be avoided. . . . The responsibilities of trustee and issuer of the LOC are antagonistic.
>
> In summary, we question the prudence of a bank acting both as trustee and issuer of an LOC. It places the bank in the unique position of drawing upon itself under the LOC. In the worst situation, the bank must choose between its commercial interests and faithfully serving the bondholders. Rather than being a manageable conflict, it is our opinion that acting in the dual capacities in

creases potential liability to such an extent that the conflict should be avoided.

It is also my recommendation that affiliated banks not act in the capacities of standby letter of credit issuer and trustee for the same bond issue, for the reasons outlined in my May 11 letter. Although two banks are involved, not one, a similar potential conflict of interest and potential liability exist.

I trust that this reply is responsive to your inquiry.

Dean E. Miller
Deputy Comptroller for Trust and Securities

* * *

305—August 17, 1984

This is in response to your letter of April 29, 1983, concerning the exception to a bank's legal lending limit for loans or extensions of credit secured by a segregated deposit account. *See* 12 USC 84(c)(6); 12 CFR 32.6(f). I regret the delay in responding to your question. You ask the Office to reconsider what you understand is its position on excluding negotiable certificates of deposit of the lending bank from the exception. Actually, as discussed below, it is the intent of this Office that both negotiable and non-negotiable certificates of deposit of the lending bank constitute collateral which qualifies for the exception.

Section 401(a) of the Garn-St Germain Depository Institutions Act of 1982, Pub. L. No. 97-320, (Act) added an exception to the lending limitations imposed on national banks for "loans or extensions of credit secured by a segregated deposit account in the lending bank." 12 USC 84(c)(6). Pursuant to the authority given to this Office in the Act to prescribe rules and regulations to administer and carry out the purposes of Section 401(a), the Office promulgated 12 CFR 32. The ruling provides, *inter alia*, that a bank must perfect a security interest in the deposit in accordance with state law and establish internal procedures to ensure that withdrawal will not occur prior to loan maturity. 12 CFR 32.6(f)(2). Also, it states that deposit accounts qualifying for the exception include deposits in any form generally recognized as deposits. 12 CFR 32.6(f)(3).

Historically, this Office has recognized certificates of deposit—regardless of whether they are negotiable or nonnegotiable—as deposits, rather than "obligations," for purposes of Section 84. Thus, both forms of certificates of deposit may qualify for the exception if the accounts are in the lending bank. *See* 12 USC 84. Since other-bank certificates of deposit are not "accounts in the lending bank" they do not qualify for the exception for loans secured by segregated deposit accounts. *See* 12 CFR 32.6(f). Other Section 84 provisions may apply to such deposits. *See* 12 USC 84(a)(2), 12 CFR 32.4 (additional general limitation for loans fully secured by readily marketable collateral applies to negotiable certificates of deposit).

In your letter you refer to a statement in the preamble to 12 CFR 32, 48 *Fed. Reg.* 15844 (April 12, 1983), which states that negotiable certificates of deposit are not the type of collateral intended by the statute to be encompassed within the subject exception. *Id.* at 15849. It is my understanding that this statement was not intended to exclude from the exception negotiable certificates of deposit of the lending bank. Rather, it rejected the suggestion of commenters that other-bank negotiable certificates of deposit should qualify for the exception. As indicated in the preamble, the Office believes that such accounts are outside the scope of the statute since the statute specifically excepts loans secured by an account "in the lending bank." *See* 12 USC 84(c)(6). Furthermore, prudential concerns would be raised by extending the exception to other-bank certificates of deposit. These concerns include the credit risk assumed by the lending bank that the issuing bank will default on the certificate of deposit, and the uncertainty surrounding whether an issuing bank has a right to setoff against a certificate of deposit which overrides a perfected security interest in the instrument. *See, e.g., Citizens National Bank of Orlando* v. *Bornstein*, 374 So. 2d 6 (Fla. 1979).

Consequently, both negotiable and non-negotiable certificates of deposit issued by the lending bank qualify for the Section 32.6(f) exception, provided the bank perfects a security interest in the certificates under state law to ensure that it can foreclose on the security interest in the collateral in the event of default by the borrower and apply the proceeds toward the outstanding balance on the loan. Although it appears that a security interest generally can be perfected in both negotiable and non-negotiable certificates of deposit, bank counsel should review applicable state law to verify this and determine the proper perfection procedures. *See id.* Also, the bank should code the account in some way so that the certificate of deposit cannot be withdrawn or pledged by the borrower prior to loan maturity.

I trust that this letter has been responsive to your inquiry.

Rosemarie Oda
Senior Atorney
Legal Advisory Services Division

* * *

306—August 27, 1984

This is in response to your letter of August 1, 1984 concerning the applicability of 12 CFR 29 to fee-title and right-to-use interests in timeshare family units. Specifically, you ask whether Part 29 regulates the financing or refinancing of:

1) A fee-title interest in a timeshare unit ("timeshare ownership" or "TSO") purchased strictly for investment and retained for investment value and/or rental income with a timeshare period of (a) one week, (b) two weeks, (c) three weeks, (d) six weeks.

2) A TSO purchased for occupancy with the timeshare periods set forth above.

3) A right-to-use interest in a timeshare unit purchased strictly for investment and retained for investment value and/or rental income with the periods set forth above; and

4) A right-to-use interest in a timeshare unit purchased for occupancy with the timeshare periods set forth above.

Time-sharing was introduced into the United States in the early 1970s and has grown in popularity as a relatively inexpensive and trouble-free method by which consumers can acquire second or vacation homes. A timeshare owner can enjoy the guaranteed availability of a vacation home for a specified period each year along with freedom from having to rent the unit to others for the rest of the year to defray ownership expenses. Timeshare interests generally take the form of a TSO or right to use. The purchaser of a TSO acquires an undivided ownership interest in the unit coupled with an exclusive right of occupancy during the designated time period. Am. Jur. 2d New Topic Ser., *Real Estate Time-Sharing*, Section 2 (1981). The purchaser of a right-to-use interest acquires a right to occupy a specific unit or specific class of units for a specified period of time. This interest may take the form of a license, lease, or club membership. At issue is whether either of these interests, held under the circumstances enumerated above, is a "one- to four-family dwelling" for purposes of 12 CFR 29.

As you know, 12 CFR 29.1 defines an adjustable-rate mortgage (ARM) loan as:

> Any loan made to finance or refinance the purchase of and secured by a lien on a one- to four-family dwelling, including a condominium unit, cooperative housing unit, or a mobile home, where such loan is made pursuant to an agreement intended to enable the lender to adjust the rate of interest from time to time (emphasis added).

In your letter, you present several arguments against categorizing timeshare interests as one- to four-family dwellings; each is addressed below.

Your first argument is that the owner of a right-to-use interest has not purchased a one- to four-family dwelling because he does not "own" the unit. However, the inclusion of cooperative housing units in the definition of ARMs set forth above is evidence that ownership of the dwelling is not an essential element of the "finance or refinance (of) the purchase of . . . a one- to four-family dwelling." As you are aware, in a cooperative apartment house, title to the building is vested in a corporation or association. Each "purchaser" of an apartment acquires stock in the corporation and, by virtue of such stock ownership, is entitled (or required) to enter into a long-term lease of that apartment. Although some jurisdictions describe the purchaser as an "owner" of the apartment, the majority of jurisdictions, along with this Office, recognize him not as a fee owner of a real estate, but as a stockholder in the corporation and a tenant in the unit. *See* Am. Jur. 2d, *Condominiums, etc*, Section 60 (1976). *See also* Comptroller's Interpretive Letter No. 117, [1978–1979 Transfer Binder] Federal Banking Law Reporter (CCH) ¶85,192 (discussing whether purchase money loans on cooperative units are real estate loans for purposes of 12 USC 371). It appears that the inclusion of cooperative units (as well as condominium units and mobile homes) in Part 29 was based on the important role they play in meeting today's housing needs and not on the ownership status of their occupants. *See* Comptroller's Interpretive Letter No. 117; 48 Fed. Reg. 18932, 18934 (March 27, 1981). Therefore, an interpretation of Part 29 that excludes right-to-use interests in timeshare units on the basis of lack of actual ownership is not justifiable.

Your second argument is that TSOs and right-to-use interests are not governed by Part 29 because their purchasers intend to occupy them for only short periods of time. You cite several OCC interpretive letters in support of your view that the subjective intent of the purchaser/borrower can be crucial in determining whether a loan is within the coverage of Part 29. I believe that the flaw in your reasoning is a failure to distinguish between the subjective intent of the borrower and the objective purpose of the loan, that is, acquisition versus construction. The OCC letters you cite in support of the view that subjective intent matters reflect, instead, the OCC's policy of excluding construction loans from the regulation's scope if they are made solely for construction purposes or solely to finance the working capital needs of a construction

business. Comptroller's Interpretive Letter Nos. 207, 210, and 222, [1981-1982 Transfer Binder] Federal Banking Law Reporter (CCH) ¶¶85, 288, 85,291, and 85,303, respectively. These letters, among others, reflect this Office's concern in Part 29 with the objective purpose of the loan at the time it is made. Once the dwelling is acquired, it does not matter for purposes of Part 29 whether the purchaser occupies it or for how long, or whether he holds it strictly for investment. *See* Comptroller's Interpretive Letter No. 233, [1981-1982 Transfer Binder] Federal Banking Law Reporter (CCH) ¶85,314. Moreover, I note that while Part 29 distinguishes between purchase money and non-purchase money loans and between types of property, it does not distinguish between types of purchasers. Therefore, your assertion that the purchaser/borrower's intentions after he has acquired the one- to four-family dwelling determine whether the loan is an ARM under Part 29 is incorrect.

Finally, you argue that neither a TSO nor a right-to-use interest is a one- to four-family dwelling because it lacks the potential for being used as a permanent residence. With this argument I agree. It has been noted that developers of timeshare projects have come to realize that they are no longer selling real estate or investment property but are instead selling vacations. Am. Jur. 2d New Topic Ser., *Real Estate Time-Sharing,* Section 2 (1981). As a result, they are packaging their programs with such amenities as discounts on plane fare and exchange programs which enable timeshare owners to reduce the repetitiveness of vacations. *Id.* at Sections 1 and 2. Clearly, Part 29 was not designed to govern programs of that nature.

In summary, interests in timeshare units are not subject to 12 CFR 29, but only because they lack the potential for being used as permanent residences. Lack of actual ownership (in the case of rights of use) or the purchaser's subjective intent after obtaining financing does not, by itself bring an interest in real estate outside the ambit of Part 29.

I trust that this is responsive to your inquiry. If you have further questions, please contact Rosa M. Koppel, Attorney, Legal Advisory Services Division, at (202) 447-1880.

Jonathan L. Levin
Senior Attorney
Legal Advisory Services Division

* * *

307—August 27, 1984

This is in response to your letter of August 1, 1984, concerning the applicability of 12 CFR 29 to a loan with an adjustable rate of interest all or part of which is to be used by the borrower to renovate and resell an existing one- to four-family dwelling. Specifically, you ask:

(1) Whether Part 29 applies if the entire loan is used for renovation and resale of an existing dwelling?

(2) Whether Part 29 applies if a portion of the loan, whether 50 percent or less than 5 percent, is used to finance the purchase of the dwelling, with the remainder used for other purposes (e.g., construction or remodeling)?

Stated otherwise, your inquiry raises the following issues:

(1) Whether a variable-rate loan made purely for renovation and resale purposes is an adjustable-rate mortgage (ARM) loan regulated by Part 29 or a construction loan outside of the regulation's scope?

(2) Whether an entire ARM loan is subject to Part 29 if only a portion of it, however small, is used to purchase the dwelling to be renovated?

An ARM loan is defined in 12 CFR 29.1 as "any loan made to finance or refinance the purchase of and secured by a lien on a one- to four-family dwelling." The definition is clarified in the preamble to the revised regulation to exclude loans made purely for construction purposes or to finance the working capital needs of a construction business. 48 *Fed. Reg.* 9506, 9508 (March 7, 1983). In your letter, you state the view that construction and renovation should be treated the same under Part 29 even though, in the latter, a structure already exists. This view is consistent with that expressed by this Office in Interpretive Ruling 7.2400, 12 CFR 7.2400 (repealed by the Garn-St Germain Depository Institutions Act of 1982 for the purpose of removing statutory restrictions on real estate lending). In IR 7.2400, loans "used to substantially renovate, remodel, or rehabilitate" existing dwellings are considered construction loans. Therefore, I agree with you that an ARM loan made solely to finance the substantial renovation and resale of a one- to four-family dwelling is not covered by Part 29.

However, I take exception to your view that, where a portion of an ARM loan is used to purchase a one- to four-family dwelling, only that portion is subject to Part 29 while the remainder is exempt. It is clearly impracticable to divide a single loan with a single set of terms into covered and exempt portions. Moreover, the Office precedent you cite in support of your view (Comptroller's Interpretive Letter No. 222, [1981-1982

[illegible] Federal Banking Law Reporter (CCH) ¶85,308 is inapposite. The situation described in that letter involves a combination construction permanent loan with two severable phases which may or may not be financed by the same lender. Under the first phase, short-term financing for construction is obtained. That phase, whether it involves a fixed or variable rate of interest, is not subject to Part 29 as long as the borrower has a written, legally binding commitment for permanent financing. Under the second phase, long-term financing is obtained to pay off the construction loan and maintain the mortgaged property. Funding under the second phase is not automatic but is, instead, contingent on the borrower's compliance with all provisions of the construction loan documents. This contrasts sharply with the situation described in your second question, in which all loan proceeds are disbursed in a single phase. Where any portion, however small, of an indivisible, variable-rate loan is used to finance the purchase of a one- to four-family dwelling, it has been the policy of this Office to treat the entire loan as an ARM subject to Part 29.

In summary, Part 29 does not apply to a loan made strictly for substantial renovation and resale of an existing one- to four-family dwelling. However, if any portion of that loan is used to finance the purchase of the dwelling, then the entire loan is subject to Part 29.

I trust that this is responsive to your inquiry. If you have further questions, please contact Rosa M. Koppel, Attorney, Legal Advisory Services Division, at (202) 447-1880.

Jonathan L. Levin
Senior Attorney
Legal Advisory Services Division

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308—August 28, 1984

Re: *** Bank—Proposed Amendments to Bylaws Permitting Use of Conference Telephone or Similar Communications Equipment in Connection with Certain Meetings of the Board of Directors and Committees Thereof

This letter responds to your March 13, 1984 letter concerning the above captioned matter and enclosing a draft opinion. Briefly, the Bank proposes to amend its bylaws to provide for (1) telephonic special meetings of the board of directors, (2) telephonic meetings of the executive committee of the board of directors, and (3) telephonic meetings of other committees [illegible] or appointed by the board of directors. [illegible] in light of the materials submitted to us, we have no objection to these proposed bylaw amendments under the national banking laws. Please note that any further change in procedures may require review by this Office.

Facts

The bank proposes the following amendments to its bylaws:

(1) Article II, Section 5. Special Meetings. ... Members of the Board of Directors may participate in such special meetings through use of conference telephone or similar communications equipment, so long as all members participating in such meetings can hear one another.

(2) Article IV, Section 1. Executive Committee. ... Members of the Executive Committee may participate in meetings of the Executive Committee through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another. ...

(3) Article IV, Section 4. Other Committees. ... Members of such other committees may participate in meetings of those committees through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another.

Each committee shall keep minutes of its meetings, and such minutes shall be submitted at the next regular meeting of the Board of Directors, and any action taken by the Board with respect thereto shall be entered into the minutes of the Board.

The Bank does not propose to amend its bylaws to permit substitution of telephonic meetings for the regular monthly meetings of the board of directors which the directors physically attend. Also, the Bank does not propose to alter its bylaws to permit telephonic meetings of the examining committee.

Draft Opinion

You state in your draft opinion that the telephonic meeting is a standard, broadly accepted practice of modern corporate management and that thirty-seven states (including California) and the Model Business Corporation Act expressly approve of such meetings. *See* Model Business Corporation Act Annotated 2d (1977 Supp.) Section 43. Further, you state that no state prohibits the use of such meetings, nor has any

judicial ruling barred the practice or imposed liability on its use. Specifically, you are of the opinion that the proposed amendments do not violate any provision of the National Bank Act or any public interpretive rulings and letters of this Office nor do they violate any state statute or federal or state common law governing the duties of a director of a national bank.

Discussion

You have requested our view as to whether the proposed amendments violate any federal banking laws.

The National Bank Act requires every national bank director to take an oath that he will, among other things, diligently and honestly administer the affairs of the association, and will not knowingly violate or willingly permit to be violated any of the provisions of the act. 12 USC 73. While it could be argued that face-to-face discussion provides insight into matters that cannot be duplicated in telephonic meetings and that, therefore, participation in meetings of the board solely by telephone might raise questions as to a director's diligence, the Bank does not propose to eliminate the requirement of personal attendence at regular board meetings. Moreover, the minutes of all meetings at which telephone attendance is permitted must be kept and presented at the regular meetings of the full board. Further, in light of technical developments which have greatly facilitated the speed with which banking transactions take place, the ability to meet quickly by telephone conference or similar means in certain situations could enhance the ability of directors to perform their duties.*

The duties imposed by 12 USC 1818, which prohibits, among other things, a director from engaging in unsafe or unsound banking practices, likewise do not appear to be violated by the proposed amendments. Because of the limited proposed use of the telephone conference and the continuing requirement that directors personally attend the regular monthly meeting of the board (at which minutes of the committee meetings will be reviewed), we have no reason to believe that the proposed practice would be detrimental to the Bank or jeopardize the safety of its deposits.

Finally, the Comptroller's Interpretive Rulings at 12 CFR 7.4420 (prohibiting voting by proxy at meetings of the board of directors) and at 12 CFR 7.4425 (prohibiting delegation of directors' responsibilities) do not prohibit the proposed practice. In particular, the proposal does not pose the same dangers as would voting by proxy. A proxy might be confused as to the actual intent of a director and could, for example, vote for a resolution in an amended form to which the director would object. Such difficulties are not present when a director actually participates by telephone.

Conclusion

Based on our review of the materials submitted to us by the Bank, we have no objection to the bylaw amendments, as proposed, under the national banking laws.

Richard V. Fitzgerald
Chief Counsel

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309—August 28, 1984

This is in response to your letter of June 6, 1984. You have inquired whether a bank service corporation owned by a national bank and one or more state bank shareholders may operate a travel agency which activity is permissible for state banks under applicable state law. Based on Section 1864(e) of the Bank Service Corporation Act (the Act), 12 USC 1861 *et seq.*, you have concluded that a bank service corporation so owned may offer travel agency services to the general public. For the following reasons, I disagree with your conclusion.

The Act, which was recently amended by the Garn-St Germain Depository Institutions Act of 1982, Pub. L. 97-320 (October 15, 1982), authorized national banks to invest up to ten (10) percent of their paid-in and unimpaired capital and unimpaired surplus in a bank service corporation. 12 USC 1862. Such a corporation may be wholly owned or co-owned with other insured banks in the state. 12 USC 1861(b)(2). Total investment in all bank service corporations may not exceed five (5) percent of a bank's total assets. 12 USC 1862.

If the bank service corporation will only perform "bank services," no prior regulatory approval is required for the investment. "Bank services" are defined to include basic check and deposit sorting and posting, posting of interest, charges, etc., preparation and mailing of checks, statements, notices, etc., and other clerical, bookkeeping or accounting functions. 12 USC 1863. A bank service corporation owned by a national bank may also offer to the public any other service that a national bank may provide (except deposit taking) provided that prior approval of this Office is obtained. 12 USC 1864, 1865.

* Similarly, neither the letter nor the spirit of 12 USC 72, which imposes residency requirements on national bank directors, is violated by the proposal. The goal of active participation in the affairs of the bank would, indeed, appear to be enhanced by allowing the use of telephone conferences in certain situations.

If the bank service corporation has both national and state banks as shareholders, as you propose, only activities that could lawfully be performed by both the national bank(s) and the state bank(s) may be performed by the bank service corporation. 12 USC 1864. *See also* S. Conf. Rep. No. 641, 97th Cong., 2d Sess. 85, 92, *reprinted in* 1982 U.S. Code Cong. & Ad. News 3054, 3135. Prior approval of the Federal regulator of the corporation's principal investor is required. 12 USC 1865. Finally, a bank service corporation may perform any service (other than deposit-taking) that has been determined by regulation to be permissible for a bank holding company under Section 4(c)(8) of the Bank Holding Company Act subject to prior approval of the Federal Reserve Board. 12 USC 1864, 1865. Bank service corporations are subject to examination and supervision by the Federal regulator of the corporation's principal investor. 12 USC 1867.

In my opinion, the bank service corporation described in your proposal could not be formed to perform travel agency services since that activity is neither legally permissible for national banks nor, to the best of my knowledge, for bank holding companies under Regulation Y (12 CFR 225) promulgated pursuant to Section 4(c)(8) of the Bank Holding Company Act. Your conclusion that the proposal would be authorized appears to stem from an incorrect reading of Section 1864(e) of the Act. Because the Act permits a bank service corporation owned by both national and state banks to conduct an activity only if such activity is legally permissible for both its national bank shareholder(s) and its state bank shareholder(s), not if permissible for one or the other as you have stated, your proposal would not be authorized under the Act.

On page one of my May 21, 1984, letter, I confirmed your opinion, supported by case law, that the offering of travel agency services to the general public is not part of or incidental to the business of banking under 12 USC 24(7). Thus, such an activity is not a permissible one for national banks. The fact that a state bank may operate a travel agency under the laws of the state in which it is chartered does not make the activity permissible for the bank service corporation under your proposal.

Although Section 1864(f) of the Act provides an additional source of services—those authorized by regulation for a bank holding company under Section 4(c)(8) of the Bank Holding Company Act—in which bank service corporations are permitted to engage, I am not aware that travel agency services are authorized by Regulation Y. You are certainly free to verify this with the Federal Reserve Board. If you determine independently that travel agency services are authorized under Regulation Y as "closely related to banking," you should note that both state and national banks must obtain Federal Reserve Board approval pursuant to Section 1865(b) of the Act prior to investing in a bank service corporation and to the corporation's engaging in such activities. *See also* OCC Banking Bulletin 82-27, "Bank Services and Bank Service Corporations" (November 16, 1982) (30-day notice requirement to OCC of service relationship).

In summary, I conclude that your proposal is not legally permissible, and thus it cannot be approved by this Office. Since a national bank is not permitted to operate a travel agency, a bank service corporation owned by both national and state banks may not offer such a service even though the state bank alone may do so under state law.

Peter Liebesman
Assistant Director
Legal Advisory Services Division

* * *

Merger Decisions—July 1 to September 30, 1984

I. Mergers consummated involving two or more operating banks.

Page

February 17, 1984.*
The First National Bank of Toms River N J , Toms River, N J
Four Branches of The First Jersey National Bank/South, Manahawkin, N J
Purchase 73

March 19, 1984 *
The First National Bank of Toms River, N J Toms River, N J
Seven Branches of First Peoples Bank of New Jersey, Westmont, N J
Purchase 74

March 21, 1984.*
First American National Bank of Jackson, Jackson, Tenn
First American National Bank of Milan, Milan, Tenn
First American National Bank of Obion County, Union City, Tenn
Merger. 75

April 2, 1984 *
Horizon Bank, National Association, Ovid, N Y
Four Branches of The St. Lawrence National Bank, Canton, N Y
Purchase 75

May 29, 1984 *
Key Bank of Western New York National Association, Jamestown, N Y
Nineteen Branches of The Bank of New York, New York, N Y
Purchase 76

June 1, 1984 *
First National Bank in Worthington, Worthington, Minn
First State Bank of Lakefield, Lakefield, Minn
Consolidation 77

June 18, 1984 *
The First Jersey National Bank, Jersey City, N J
Four Branches of First National State Bank, Newark, N J
Purchase 78

June 30, 1984:*
The Exchange National Bank, Olean, N Y
Three Branches of The Bank of New York, N Y
Purchase 79

July 1, 1984
The First National Bank, Sidney, Ohio
The Farmers & Merchants Bank Company, Anna, Ohio
Merger 80

July 1, 1984
The First National Bank of Athens, Athens, Ga
First National Bank of Madison, Madison, Ga
Merger 81

July 1, 1984.
The First National Bank of Layton, Layton, Utah
Second National Bank of Layton, Layton, Utah
Merger 82

July 2, 1984
The First Jersey National Bank, Jersey City, N J
Five Branches of Fidelity Union Bank/First National State, Newark, N J
Purchase 83

July 2, 1984
Pan American Bank, National Association, Miami, Fla
Central Bank and Trust Company, Miami, Fla
Central Bank of North Dade, Miami, Fla
Purchase 84

July 2, 1984
United States National Bank of Oregon, Portland Ore
Bank of Milton-Freewater, Milton-Freewater, Ore
The Bank of Milwaukie Milwaukie Ore
Merger 85

July 9, 1984
Barnett Bank of Lee County National Association Fort Myers, Fla
One Branch of NCNB National Bank of Florida Tampa Fla
Purchase 85

July 9, 1984
United National Bank, Plainfield N J
The First National Bank of Belvidere Belvidere N J
Purchase 86

July 12, 1984
NCNB National Bank of Tampa, Tampa Fla
Ellis First National Bank of West Pasco, New Port Richey Fla
Ellis First National Bank in Tarpon Springs, Tarpon Springs Fla
Ellis Springs Bank, National Association, Tarpon Springs Fla
Merger 87

July 14, 1984
The Central Trust Company of Northern Ohio, N A Lorain Ohio
The City Bank Company Lorain, Ohio
Merger 87

July 19, 1984
Shelard National Bank, St Louis Park Minn
Guaranty State Bank of St Paul St Paul, Minn
Purchase 88

July 23, 1984
First West Virginia Bank, National Association-Warwood Wheeling, W Va
First West Virginia Bank, National Association-Community Wheeling, W Va
Merger 89

July 24 1984
Barnett Bank of South Florida, National Association Miami Fla
Bank of Hallandale and Trust Company Hallandale, Fla
Consolidation 90

July 25, 1984
Bank South, National Association, Atlanta, Ga
Bank of Cumming, Cumming Ga
Bank South, Forest Park, Ga
Merger 9[illegible]

July 26, 1984
First National Bank of Brunswick, Brunswick Ga
The First National Bank in Waycross Waycross Ga
Merger 91

July 31, 1984
The National Bank and Trust Company of Norwich Norwich N Y
National Bank of Oxford Oxford N Y
Merger 92

August 1 1984
Bank One, Portsmouth National Association Portsmouth Ohio
The Waverly State Bank Waverly Ohio
Merger [illegible]

August 1 1984
The Concord National Bank Concord N C
Citizens National Bank Concord N C
Merger [illegible]

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August [illegible] 1984
First Tennessee Bank National Association Memphis Memphis Tenn
First Tennessee Bank National Association [illegible] Franklin, Frank[illegible] Tenn
First Tennessee Bank N A Cookeville Cookeville Tenn
First Tennessee Bank N A Nashville Nashville Tenn
First Tennessee Bank N A Murfreesboro Murfreesboro Tenn
First Tennessee Bank Gallatin Tenn
Merger 99

August 1 1984
Flagship Bank of Jacksonville Jacksonville Fla
Sun Bank North Florida National Association Jacksonville Fla
Merger 100

August 7 1984
Omaha National Bank Omaha Neb
Commercial National Bank & Trust Company Grand Island Nebraska Grand Island Neb
Purchase 100

August 17 1984
NCNB National Bank of Florida Tampa Fla
Ellis Bank and Trust Company National Association Sarasota Fla
Ellis Fort Myers Bank National Association Fort Myers Fla
Merger 101

August 19 1984
Citibank National Association New York N Y
Girod Trust Company San Juan Puerto Rico
Purchase 102

August 24 1984
Mercantile Bank of Northwest County N A St Louis County Mo
One Branch of Lewis & Clark Mercantile Bank St Louis County Mo
Purchase 103

August 27 1984
Society National Bank of the Miami Valley Springfield Ohio
11 Branches of The Society National Bank Cleveland, Ohio
Purchase 103

August 31 1984
First Interstate Bank of Oregon National Association Portland Ore
Bank of the Northwest Eugene Ore
Purchase 104

August 31 1984
Indian Head National Bank Nashua N H
Indian Head National Bank of Claremont Claremont N H
Indian Head National Bank of Concord Concord N H
Merger 105

August 31 1984
Lincoln First Bank National Association Rochester N Y
Two Branches of The Rochester Community Savings Bank Rochester N Y
Purchase 105

September 1 1984
Atlantic National Bank of Florida Jacksonville Fla
Atlantic National Bank of Florida at Orange Park Orange Park Fla
Merger 106

September [illegible] 1984
The Citizens and Southern National Bank Savannah Ga
The Citizens and Southern Bank of Effingham County [illegible] Ga
Merger 106

September [illegible] 1984
[illegible]
[illegible]
[illegible] 107

September [illegible] 1984
[illegible]
[illegible]
[illegible] 108

September 1 1984
First Tennessee Bank National Association Memphis Memphis Tenn
First Tennessee Bank Maryville Tenn
Jefferson County Bank Dandridge Tenn
Merger 109

September 1 1984
The Michigan National Bank-Dearborn Dearborn Mich
Michigan National Bank-South Metro, Lincoln Park Mich
Merger 109

September 1 1984
The Michigan National Bank-Grosse Pointes, Grosse Pointe Woods Mich
Michigan National Bank of Detroit, Detroit, Mich
Merger 109

September 1 1984
Norwest Bank Virginia Virginia Minn
Norwest Bank Eveleth, N A Eveleth, Minn
Consolidation 110

September 1 1984
Republic National Bank, Columbia S C
Two Branches of The South Carolina National Bank, Charleston, S C
One Branch of First National Bank of South Carolina Columbia S C
Purchase 110

September 1 1984
Sun Bank Suncoast, National Association, St Petersburg Fla
Flagship Bank of Pinellas, N A , St Petersburg, Fla
Merger 111

September 6 1984
First National Bank of Omaha, Omaha, Neb
David City Bank David City Neb
Purchase 112

September 10, 1984
Fidelity Bank, Rosemont, Pa
Southeast National Bank of Pennsylvania, Malvern, Pa
Merger 113

September 11 1984
Trans National Bank, Monterey Park, Calif
One Branch of Lloyds Bank California, Los Angeles, Calif
Purchase 113

September 11, 1984
Conejo Valley National Bank, Thousand Oaks, Calif
The Village Bank, National Association, Westlake Village, Calif
Merger 114

September 15, 1984
First Eastern Bank, National Association Wilkes-Barre, Pa
Scranton National Bank Scranton, Pa
Merger 115

September 17 1984
First National Bank of the South Ocean Springs Miss
One Branch of First Mississippi National Bank, Hattiesburg Miss
Purchase 116

September 17 1984
National Bank of La Jolla La Jolla Calif
Two Branches of Barclays Bank of California, San Francisco, Calif
Purchase 117

September 19 1984
The First National Bank and Trust Company of Enid Enid Okla
Community Bank and Trust Company of Enid Enid Okla
Purchase 118

September 19 1984
The National Bank of Neligh Neligh Neb
Bank of Verdigre and Trust Company Verdigre Neb
Purchase 119

September 20 1984
Barnett Bank of Jacksonville National Association Jacksonville Fla
[illegible] National Bank Jacksonville Fla
Purchase [illegible]

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September 20, 1984
NCNB National Bank of Florida, Tampa, Fla.
Ellis First National Bank of Bradenton, Bradenton, Fla.
NCNB National Bank of Florida, DeBary, Fla.
Merger 121

September 21, 1984
Commonwealth Bank and Trust Company, National Association, Williamsport, Pa.
Lewisburg Trust Bank, Lewisburg, Pa.
Merger 122

September 21, 1984
The First National Mercantile Bank of Monett, Monett, Mo.
Mercantile Bank of Wheaton, Wheaton, Mo.
Merger 123

September 23, 1984
First National Bank & Trust Company of Fremont, Fremont, Neb.
First Savings Company of Fremont, Fremont, Neb.
Merger 123

September 24, 1984
Conejo Valley National Bank, Thousand Oaks, Calif.
One Branch of Lloyds Bank California, Camarillo, Calif.
Purchase 124

September 24, 1984
Washington County National Savings Bank of Williamsport, Williamsport, Md.
One Branch of Maryland National Bank, Baltimore, Md.
Purchase [illegible]

September 28, 1984
Midlantic National Bank North, West Paterson, N.J.
Midlantic National Bank Citizens, Tenafly, N.J.
Merger [illegible]

September 29, 1984
First National Bank of Jackson, Jackson, Miss.
State Guaranty Bank, Magee, Miss.
Merchants and Planters Bank, Hazlehurst, Miss.
Merger 126

September 30, 1984
The Harter Bank and Trust Company, Canton, Ohio
The First National Bank of Salem, Salem, Ohio
The Farmers National Bank and Trust Company of Ashtabula, Ashtabula, Ohio
Society Bank of Eastern Ohio, Youngstown, Ohio
Merger 128

September 30, 1984
Rhode Island Hospital Trust National Bank, Providence, R.I.
Columbus National Bank of Rhode Island, Providence, R.I.
Merger 128

II. Mergers consummated involving a single operating bank

Page

July 1, 1984
Bellingham National Bank, Bellingham, Wash.
New Bellingham National Bank, Bellingham, Wash.
Merger 129

July 1, 1984
Farmers and Mechanics National Bank, Frederick, Md.
Market National Bank, Frederick, Md.
Merger 129

July 1, 1984
The First National Bank of Berwick, Berwick, Pa.
FKC Interim National Bank, Berwick, Pa.
Merger 130

July 1, 1984
The First National Bank of Enumclaw, Enumclaw, Wash.
First Bank of Enumclaw, National Association, Enumclaw, Wash.
Merger 130

July 1, 1984
Gulf National Bank at Lake Charles, Lake Charles, La.
Lake Charles National Bank, Lake Charles, La.
Merger 130

July 1, 1984
The Miami Citizens National Bank and Trust Company, Piqua, Ohio
MCNB Interim Bank, National Association, Piqua, Ohio
Consolidation 130

July 1, 1984
National Bank of Commerce of Mississippi, Starkville, Miss.
NBCM Interim National Bank, Starkville, Miss.
Consolidation 131

July 1, 1984
The Weston National Bank, Weston, W. Va.
WNB National Bank, Weston, W. Va.
Merger 131

July 2, 1984
The City National Bank of Fulton, Fulton, Ky.
CNB Interim National Bank, Fulton, Ky.
Merger 131

July 2, 1984
Farmington National & Savings Bank, Farmington, N.H.
New Farmington National Bank, Farmington, N.H.
Merger 131

July 2, 1984
The First National Bank of Jermyn, Jermyn, Pa.
FNBJ National Bank, Jermyn, Pa.
Merger 132

July 2, 1984
The First National Bank of Morgantown, Morgantown, W. Va.
Vandalia National Bank, Morgantown, W. Va.
Merger 132

July 2, 1984
First National Bank of Western Pennsylvania, New Castle, Pa.
Interim First National Bank of Western Pennsylvania, New Castle, Pa.
Merger 132

July 2, 1984
The Keeseville National Bank, Keeseville, N.Y.
KNB National Bank, Keeseville, N.Y.
Merger 132

July 16, 1984
The First National Bank of Sioux Center, Sioux Center, Iowa
Sioux Center Interim Bank, National Association, Sioux Center, Iowa
Consolidation 133

July 18, 1984
The Matewan National Bank, Matewan, W. Va.
Matewan Bank, National Association, W. Va.
Merger 133

July 20, 1984
LaSalle National Bank, LaSalle, Ill.
LSNB Bank, National Association, LaSalle, Ill.
Merger 133

July 31, 1984
The First National Bank of Rochester, Rochester, Ind.
FNR National Bank, Rochester, Ind.
Merger [illegible]

July 31, 1984
Mid Cities National Bank, Hurst, Tex.
New Mid Cities National Bank, Hurst, Tex.
Consolidation [illegible]

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[illegible] 1984	
The [illegible] National Bank of Central Jersey, Piscataway, N J	
[illegible] National Bank, Piscataway, N J	
Consolidation	134
August 1, 1984	
The Beverly National Bank, Beverly, Mass	
Beverly Bank, National Association, Beverly, Mass	
Merger	134
August 1, 1984	
The First National Bank of Bradford County, Towanda, Pa	
[illegible] National Bank of Bradford County, Towanda, pa	
Merger	134
August 1, 1984	
Hudson National Bank, Hudson, Mass	
Hudson Bank, National Association, Hudson, Mass	
Merger	135
August 1, 1984	
The Second National Bank of Nazareth, Nazareth, Pa	
FCB Interim National Bank, Nazareth, Pa	
Merger	135
August 10, 1984	
First National Bank of Denham Springs, Denham Springs, La	
New First National Bank of Denham Springs, Denham Springs, La	
Consolidation	135
August 15, 1984	
The First National Bank of Marissa, Marissa, Ill	
Marissa National Bank, Marissa, Ill	
Merger	135
August 15, 1984	
The First National Bank of Smithton, Smithton, Ill	
Smithton National Bank, Smithton, Ill	
Merger	136
August 15, 1984	
The First National Bank of Versailles, Versailles, Ky	
FBV Bank, National Association, Versailles, Ky	
Merger	136
August 16, 1984	
The First National Bank in Columbia, Columbia, Ill	
Main Street National Bank, Columbia, Ill	
Merger	136
August 31, 1984	
Alice National Bank, Alice, Tex	
New Alice National Bank, Alice, Tex	
Merger	136
August 31, 1984	
First National Bank of Farmington, Farmington, N M	
Farmington Interim National Bank, Farmington, N M	
Consolidation	137
August 31, 1984	
Guaranty National Bank of Huntington, Huntington, W Va	
Guaranty Bank, National Association, Huntington, W Va	
Merger	137
August 31, 1984	
The Merchants National Bank of Terre Haute, Terre Haute, Ind	
The Second Merchants National Bank of Terre Haute, Terre Haute, Ind	
Merger	137
September 1, 1984	
American National Bank and Trust Company of Danville, Danville, Va	
Danville Interim Bank, National Association, Danville, Va	
Merger	137
September 1, 1984	
Farmers and Merchants National Bank of Hamilton, Hamilton, Va	
Farmers and Merchants Interim Bank, National Association, Hamilton, Va	
Merger	138
September 4, 1984	
Bank of the Hamptons, N A, East Hampton, N Y	
Hamptons Interim National Bank, East Hampton, N Y	
Merger	138
September 4, 1984	
The National Grand Bank of Marblehead, Marblehead, Mass	
Grand Bank, National Association, Marblehead, Mass	
Merger	138
September 4, 1984	
Woburn National Bank, Woburn, Mass	
Woburn Bank, National Association, Woburn, Mass	
Merger	138
September 6, 1984	
The National Bank of Royal Oak, Royal Oak, Mich	
NBR National Bank, Royal Oak, Mich	
Merger	139
September 8, 1984	
The Fishkill National Bank, Beacon, N Y	
Fishkill Bank, N A, Beacon, N Y	
Merger	139
September 10, 1984	
First National Bank of Rochester, Rochester, N Y	
New First National Bank of Rochester, Rochester, N Y	
Merger	139
September 13, 1984	
The Champaign National Bank, Champaign, Ill	
The Champaign Interim National Bank, Champaign, Ill	
Merger	139
September 13, 1984	
The Market Place National Bank, Champaign, Ill	
Market Place Interim National Bank, Champaign, Ill	
Merger	140
September 13, 1984	
The First National Bank of West Chester, West Chester, Pa	
Interim National Bank of West Chester, West Chester, Pa	
Merger	140
September 20, 1984	
Security National Bank of Shreveport, Shreveport, La	
New Security National Bank of Shreveport, Shreveport, La	
Consolidation	140
September 28, 1984	
The Merchants and Planters Bank, Camden, Ark	
Interim Camden National Bank, Camden, Ark	
Merger	140
September 30, 1984	
The Hazelton National Bank, Hazelton, Pa	
FV Interim National Bank, Bethlehem, Pa	
Merger	141

* [illegible] were received after the deadlines for the [illegible]

I. Mergers consummated involving two or more operating banks.

THE FIRST NATIONAL BANK OF TOMS RIVER, N.J., Toms River, N.J., and Four Branches of The First Jersey National Bank/South, Manahawkin, N.J.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
Four Branches of The First Jersey National Bank/South, Manahawkin, N.J. (16397), with	$230,675,000	4	
were purchased February 17, 1984, by The First National Bank of Toms River, N.J., Toms River, N.J. (2509), which had	795,433,000	26	
After the purchase was effected the receiving bank had			30

COMPTROLLER'S DECISION

On November 29, 1983, The First National Bank of Toms River, N.J., Toms River, N.J. (FNB) applied for permission to purchase certain assets and assume certain liabilities of four branch offices of The First Jersey National Bank/South, Manakawkin, N.J. (First Jersey). The branches to be purchased are all in Cape May County, N.J.

This proposal is contingent upon the consummation of the merger of Guarantee Bank, Atlantic City, N.J., into First Jersey. Three of the branches are presently offices of Guarantee Bank, the fourth is an existing office of First Jersey.

As of September 30, 1983, FNB, the sole subsidiary of Statewide Bancorp, held total deposits of $647.2 million and operated 26 offices in Atlantic and Ocean counties in New Jersey. As of the same date the branches to be purchased held total deposits of $34.3 million and were located in the southern portion of Cape May County, N.J.

The relevant geographic market for this proposal is the southern two-thirds of Cape May County, New Jersey, including the communities of Rio Grande, Villas, and Cape May Courthouse. It is from this area that the branches to be purchased acquire the bulk of their deposits. FNB has no offices in this area, its nearest office being located 22 miles to the north. Consummation of this proposal will merely replace one competitor in the market with another and will not significantly impact competition.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory. Future prospects of the purchasing bank are favorable, as are the expected effects of the proposal or the convenience and needs of the communities to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not have a significant effect on competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory, accordingly, the application is approved.

January 17, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* Asset figures are of whole bank as of the December 31, 1983, report of condition. Information as of date of consummation was not available at press time.

* * *

THE FIRST NATIONAL BANK OF TOMS RIVER, N.J., Toms River, N.J., and Seven Branches of First Peoples Bank of New Jersey, Westmont, N.J.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Seven Branches of First Peoples Bank of New Jersey, Westmont, N.J., with	$747,467,000	7	
were purchased March 19, 1984, by The First National Bank of Toms River, N.J., Toms River, N.J. (2509), which had	795,433,000	26	
After the purchase was effected the receiving bank had			33

COMPTROLLER'S DECISION

An application was filed on October 28, 1983, with the Office of the Comptroller of the Currency by The First National Bank of Toms River, N.J., Toms River, N.J. (FNB) for approval to purchase the assets and assume the liabilities of seven branches of First Peoples Bank of New Jersey, Westmont, N.J. (First Peoples). This application is based upon a written agreement executed by the banks on September 23, 1983.

As of August 31, 1983, FNB, the sole subsidiary of Statewide Bancorp, held total deposits of $646 million and operated 24 offices in Ocean County and 2 offices in Atlantic County. On January 17, 1984, this Office approved an application for FNB to purchase the assets and assume the liabilities of four branch offices of The First National Bank South, Manahawkin, N.J. These branches are all in Cape May County.

As of the same date, the seven branches to be purchased held total deposits of $89 million. Four of the branches are located in Ocean County and one each in Atlantic, Burlington and Salem counties.

The relevant geographic market for this proposal is Ocean County, and the area immediately adjacent to First Peoples' other three offices, located in Hammonton (Atlantic County), New Gretna (Burlington County) and Woodstown (Salem County).

Many New Jersey thrift institutions have established themselves as full competitors of commercial banks due to their growing involvement in commercial lending. For this reason the competitive analysis includes thrift institutions as competitors in determining market share.

In Ocean County, which is served by more than 20 financial institutions, FNB ranks first in market share with 15 percent of total deposits. First Peoples has a 2 percent market share. Although First Peoples will be eliminated as a competitor, the market will remain unconcentrated and highly competitive.

In Atlantic County FNB and First Peoples have small market shares of 2 percent and 1 percent, respectively. As such, the merger will not have a significant effect on competition in the county.

FNB has no branches, and only derives a nominal amount of deposits from the New Gretna and Woodstown areas. Consequently, the proposed merger will merely replace one competitor in the market with another and enable FNB to enter a market where it currently does not compete.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are considered satisfactory. The future prospects of the proponent banks, independently and in combination, are favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

February 16, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* [illegible]

FIRST AMERICAN NATIONAL BANK OF JACKSON,
Jackson, Tenn., and First American National Bank of Milan, Milan, Tenn., and First American National Bank of Obion County, Union City, Tenn.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
First American National Bank of Milan, Milan, Tenn. (17841), with	$ 51,544,000	2	
First American National Bank of Obion County, Union City, Tenn. (17840), with	54,479,000	4	
and First American National Bank of Jackson, Jackson, Tenn. (2168), which had	148,808,000	5	
merged March 21, 1984, under charter and title of the latter. The merged bank at date of merger had			11

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

The Summary of Report by Attorney General was not received at press time

* Asset figures are from the December 31, 1983, report of condition Information as of date of consummation was not available at press time

* * *

HORIZON BANK, NATIONAL ASSOCIATION,
Ovid, N.Y., and Four Branches of The St. Lawrence National Bank, Canton, N.Y.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Four Branches of The St. Lawrence National Bank, Canton, N.Y. (8531), with	$232,209,000	4	
were purchased April 2, 1984, by Horizon Bank, National Association, Ovid, N.Y. (7840), which had	25,143,000	1	
After the purchase was effected the receiving bank had			5

This transaction was processed under new procedures that the OCC has implemented for corporate reorganization transactions. No decision was issued.

The Summary of Report by Attorney General was not received at press time.

* Asset figures are of whole bank as of the March 31, 1984, report of condition Information as of date of consummation was not available at press time

* * *

KEY BANK OF WESTERN NEW YORK NATIONAL ASSOCIATION, Jamestown, N.Y., and Nineteen Branches of The Bank of New York, New York, N.Y.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Nineteen Branches of The Bank of New York, New York, N.Y., with	$12,504,622,000	19	
were purchased May 29, 1984, by Key Bank of Western New York National Association, Jamestown, N.Y. (4988), which had	383,388,000	30	
After the purchase was effected the receiving bank had			49

COMPTROLLER'S DECISION

An application was filed on January 13, 1984, with the Office of the Comptroller of the Currency by Key Bank of Western New York National Association, Jamestown, N.Y. (Key Bank), to acquire 22 branch offices of The Bank of New York, New York, N.Y. (BONY). The application is based upon a written agreement executed by the banks on October 7, 1983.

As of September 30, 1983, Key Bank held total deposits of $315 million and operated 30 offices in six counties in western New York. (These numbers reflect, on a pro forma basis, the merger between Key Bank and Key Bank, Jamestown, New York, which was effective December 16, 1983.) Key Bank is majority owned by Key Banks Inc., a registered bank holding company with deposits of $2.7 billion. Its six subsidiary banks operate 203 offices in 37 counties in New York. Additionally, another national bank subsidiary of Key Banks Inc. has an application pending to acquire a bank in eastern New York.

The 22 BONY branches to be acquired are located in three western New York counties and held total deposits of $447 million as of September 30, 1983.

There are two separate geographic markets for this proposal: the Buffalo market and the Olean market. The Buffalo market includes all of Erie and Niagara counties and a small portion of Cattaraugus and Orleans counties. In this market, there are 13 commercial banks operating 193 offices and holding deposits of $4.2 billion, and 6 savings banks operating 66 offices and holding deposits of $6.3 billion. The two largest financial institutions in the market are thrifts, holding 32.9 percent and 18.6 percent, respectively, of total market deposits. BONY operates 19 offices (all of which are part of this proposal) in this market and has a 7.[illegible] percent market share. Key Bank operates [illegible] offices in the market and is the second smallest [illegible] with a .2 percent market share. [illegible] Key Bank will become the seventh largest competitor in this concentrated market. Given the small increase in concentration of both commercial bank deposits and total financial institution deposits, the proposed transaction will have no significant effect on competition within the Buffalo market. It is also noted that, within this market, five of the state's seven largest commercial banking organizations are present.

The Olean market consists of the southern portion of Cattaraugus and Allegany counties. Within this market there are seven commercial banks holding deposits of $450 million and two thrift institutions holding deposits of $80 million. Key Bank is the second largest bank and BONY is the third largest bank with respective market shares of 17.5 percent and 15.2 percent. Key Bank's acquisition of BONY's three offices in this market would make it the largest bank in the market with a 32.7 percent market share and would violate the Department of Justice's merger guidelines. However, Key Bank has signed an agreement with Community Bank System, Inc., a bank holding company presently not operating in the Olean market, to sell the three BONY offices in this market to Community Bank System, Inc. As a result of this divestiture, Key Bank's market share will not change at all and BONY's market position will merely be assumed by another competitor.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory. The future prospects of the buying bank are considered favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

* [illegible]

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the transaction. However, the three BONY offices located in the Olean market may not be acquired by Key Bank until Community Bank System Inc. (or some other third party) has received final regulatory approval to acquire those same offices. Transfer of the three offices in the Olean market to the third party must be made prior to or concurrently with the purchase of those offices by Key Bank.
March 20, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

It is our understanding that the applicant Key Bank of Western New York has entered into an agreement to divest the three branches of The Bank of New York located at Olean, New York, to Community Bank System, Inc., Canton, New York, that a definitive agreement is being prepared, and that Community Bank System, Inc., is preparing applications for the necessary regulatory approvals.

On the basis of our current information, and provided that prior to or concurrently with the acquisition by Key Bank of Western New York, of the 22 branches of The Bank of New York, the three Olean, New York branch offices of The Bank of New York be divested to Community Bank System, Inc., or another competitively suitable purchaser, we conclude that the proposed transaction will not have a significantly adverse effect upon competition.

* * *

FIRST NATIONAL BANK IN WORTHINGTON, Worthington, Minn., and First State Bank of Lakefield, Lakefield, Minn.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
First State Bank of Lakefield, Lakefield, Minn., with	$27,537,000	1	
and First National Bank in Worthington, Worthington, Minn. (8989), which had	83,224,000	2	
consolidated June 1, 1984, under charter and title of the latter. The consolidated bank at date of consolidation had			3

COMPTROLLER'S DECISION

First State Bank of Lakefield and First National Bank in Worthington are majority owned and controlled by First Bank System, Inc., Minneapolis, Minn., a registered bank holding company. This proposed transaction is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the transaction.
April 9, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

* Asset figures are from the March 31, 1984, report of condition. Information as of date of consummation was not available at press time.

THE FIRST JERSEY NATIONAL BANK

Jersey City, N J , and Four Branches of First National State Bank, Newark, N.J.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Four Branches of First National State Bank, Newark, N J (1452), with	$2,633,279,000	4	
were purchased June 18, 1984 by The First Jersey National Bank, Jersey City, N.J. (374), which had	1,215,544,000	28	
After the purchase was effected the receiving bank had			32

COMPTROLLER'S DECISION

An application was filed on March 20, 1984 with the Office of the Comptroller of the Currency by The First Jersey National Bank, Jersey City, N J (First Jersey), to purchase five branch offices of Fidelity Union Bank, Newark, N J (Fidelity) and four branch offices of First National State Bank of New Jersey, Newark, N.J. (FNSB) This application is based upon an agreement finalized between the proponents on February 2, 1984

As of December 31, 1983, First Jersey had total deposits of $967 million and operated 28 offices in seven eastern New Jersey counties. First Jersey is a majority owned subsidiary of First Jersey National Corporation, a multibank holding company with consolidated deposits of $1.3 billion.

Fidelity and FNSB merged, under the title of "Fidelity Union Bank First National State," effective March 26, 1984 The nine branches to be acquired are all located in Essex County and held total deposits of $138 million as of December 31, 1983.

The relevant geographic market for this proposal is Essex County where the nine branch offices to be acquired are located Within the market there are 11 commercial banks holding deposits of $2 7 billion and 21 thrift institutions holding deposits of $2 8 billion This Office has previously determined that, in the State of New Jersey thrift institutions and commercial banks do operate in the same line of commerce (See Decision of the Comptroller of the Currency on the Application to Merge Guarantee Bank, Atlantic City N J and The First Jersey National Bank South, Manahawkin, N J December 13 1983)

First Jersey currently operates three offices in Essex County and holds less than 1 percent of total market deposits. Fidelity Union Bank/First National State is the largest financial institution in the market and will continue to operate 17 offices in the market after the proposed divestiture. After consummation, First Jersey's share of the market will increase to approximately 3 percent. Based on the changes in the market shares of the banks involved and the large number of financial institutions in the market, consummation of the proposed transaction would not have a significantly adverse effect on competition in the relevant geographic market.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served " The financial and managerial resources of both banks are satisfactory. The future prospects of the buying bank are considered favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of the application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory Accordingly, the application is approved

May 11 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition

* [illegible]

* * *

THE EXCHANGE NATIONAL BANK,
Olean, N.Y., and Three Branches of The Bank of New York, New York, N.Y.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Three Branches of The Bank of New York, New York, N.Y., with	$12,843,429,000	3	
were purchased June 30, 1984, by The Exchange National Bank, Olean, N.Y. (18272), which had	6,500,000	1	
After the purchase was effected the receiving bank had			4

COMPTROLLER'S DECISION

An application was filed on April 30, 1984, with the Office of the Comptroller of the Currency by The Exchange National Bank (Organizing), Olean, N.Y. (Exchange), to acquire three branches of The Bank of New York, New York, N.Y. (BONY). The application is based upon a written agreement executed by the proponents on February 28, 1984.

Exchange is a *de novo* national bank that was organized by Community Bank System, Inc. (CBS) to acquire the three BONY offices in Olean, N.Y.; the bank has not commenced operations at this time. At December 31, 1983, CBS's two subsidiary banks had total deposits of $230 million and operated 17 offices in three counties in northern New York and five offices in two counties in central New York.

The three BONY branches to be acquired are located in Cattaraugus County in southwestern New York. At December 31, 1983, the three branches had total deposits of $87 million.

The proponents currently do not compete directly and, therefore, consummation of the proposal will not have a significant effect in the relevant geographic market, Cattaraugus County. Exchange currently is a non-operating bank and CBS's closest operating banking office to the branches to be acquired is more than 100 miles distant. Accordingly, consummation of the proposal will merely substitute one competitor in the market for another.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory. The future prospects of the buying bank are considered favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved, subject to the condition noted in a separate communication to Exchange.
May 31, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which The Bank of New York would become a subsidiary of Key Banks, Inc., a bank holding company. The instant transaction would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Key Banks, Inc., it would have no effect on competition.

* Asset figures are for the whole bank as of the March 31, 1984 report of condition for The Bank of New York and from the organizing information for The Exchange National Bank.

* * *

THE FIRST NATIONAL BANK
Sidney, Ohio, and The Farmers & Merchants Bank Company, Anna, Ohio

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Farmers & Merchants Bank Company, Anna, Ohio, with	$ 16,493,000	1	
and The First National Bank, Sidney, Ohio (5214), which had	105,327,000	5	
merged July 1, 1984, under charter and title of the latter. The merged bank at date of merger had			6

COMPTROLLER'S DECISION

On December 20, 1983, application was made to the Office of the Comptroller of the Currency for prior authorization to merge The Farmers & Merchants Bank Company, Anna, Ohio (F&M), into The First National Bank, Sidney, Ohio (First). This application is based upon an agreement executed by the proponents on August 19, 1983 and all amendments thereto.

As of September 30, 1983, F&M, an independent unit bank, had total deposits of $15 million. On the same date, First had total deposits of $85 million and operated four offices in Sidney and one each in Fort Loramie and Cynthiana Township.

Although both banks are located in Shelby County and their main offices are less than 8 miles distant, their markets do not overlap nor is there any significant competition between the two banks. F&M derives more than 82 percent of its deposits from the Village of Anna and the area immediately surrounding it. First derives more than 84 percent of its deposits from Sidney, the area immediately surrounding Sidney, and the area surrounding its two branches in Fort Loramie and Cynthiana Township. (These two branches are located at least 11 miles from Sidney and Anna.) F&M derives less than 3 percent of its deposits from First's market and First derives less than 4 percent of its deposits from F&M's market. Accordingly, consummation of this proposal will enable First to extend its market to an area where it does not presently compete.

Several alternative financial institutions are present in the Shelby County market. Commercial bank competitors include a subsidiary bank of the state's largest bank holding company; this bank is also the largest financial institution in the market. Thrift institution competitors hold, in the aggregate, more than one-third of the market's deposits and include two of the four largest financial institutions in the market. It is also noted that, within Shelby County, F&M's share of market deposits has been declining in recent years and that First's share has been increasing at a rate significantly below that of its largest competitors. In light of the above data, the proposed transaction will not have a significant effect on competition within the relevant geographic market.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory. The future prospects of the proponents, individually and combined, are considered favorable although the larger resulting bank is expected to provide a wider range of banking services.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.
April 27, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* [illegible] 1984 [illegible]

THE FIRST NATIONAL BANK OF ATHENS,
Athens, Ga., and First National Bank of Madison, Madison, Ga.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank of Madison, Madison, Ga. (7300), with	$ 32,036,000	1	
and The First National Bank of Athens, Athens, Ga. (1639), which had	172,377,000	4	
merged July 1, 1984, under charter and title of the latter. The merged bank at date of merger had	204,413,000		5

COMPTROLLER'S DECISION

On January 13, 1984, application was made to the Office of the Comptroller of the Currency for prior authorization to merge First National Bank of Madison, Madison, Ga. (FNB/Madison), into The First National Bank of Athens, Athens, Ga. (FNB/Athens). This application is based on an agreement finalized between FNB/Madison and FNB/Athens on January 9, 1984.

As of September 30, 1983, FNB/Madison, an independent bank, had total deposits of $25 million and operated its only office in Madison, Morgan County. On the same date, FNB/Athens had total deposits of $115 million and operated five offices in Clarke County. FNB/Athens is a subsidiary of Trust Company of Georgia, Atlanta, Ga., a multi-bank holding company, with total deposits of $3 billion as of December 31, 1982.

The relevant geographic market for this proposal is Morgan County, where FNB/Madison operates its only office and derives over 75 percent of its deposits. There are three commercial banks serving the market with four banking offices and total deposits of $44 million. FNB/Madison, with 48 percent of market deposits, has the largest deposit market share. FNB/Athens operates no offices in the relevant geographic market, and is not a direct competitor in Morgan County. Consequently, consummation of this proposal will merely replace one competitor in the relevant market with another, and allow FNB/Athens to expand into a market it currently does not serve.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are considered satisfactory. The future prospects of the proponent banks, independently and in combination, are favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' record of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

April 18, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE FIRST NATIONAL BANK OF LAYTON,
Layton, Utah, and Second National Bank of Layton, Layton, Utah

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Second National Bank of Layton, Layton, Utah (16225), with	$ 4,607,000	2	
and The First National Bank of Layton, Layton, Utah (7685), which had	40,826,000	1	
merged July 1, 1984, under charter and title of the latter. The merged bank at date of merger had			3

COMPTROLLER'S DECISION

On September 6, 1983, application was made to the Office of the Comptroller of the Currency for authorization to merge Second National Bank of Layton, Layton, Utah (SNB), into The First National Bank of Layton, Layton, Utah (FNB) under the charter and title of the latter. The application is based on an agreement finalized between the two banks on August 11, 1983.

As of June 30, 1983, SNB had approximately $5 million in total assets and $4 million in total deposits. The bank operates a main office and single branch in Layton, Utah. FNB, as of June 30, 1983, had approximately $36 million in total assets and $32 million in total deposits. The bank operates a single office in Layton, Utah. Shareholders owning approximately 81 percent of the outstanding stock of FNB also own approximately 77 percent of the outstanding stock of SNB.

The applicant banks operate in Layton, Utah, which is located approximately halfway between the larger cities of Ogden and Salt Lake City. Layton comprises the relevant geographic market of both banks.

The proposed merger is primarily a plan of reorganization since the two banks operate under common ownership and are affiliates under 12 USC 221a.

Through consolidation, the applicant banks hope to realize economies of scale and cost reductions in order to enhance the resultant bank's ability to meet the competition. In short, the merger will permit two commonly owned smaller banks to pool resources and become one bank in order to meet the challenges of the marketplace. Due to common ownership of the two banks, the merger will not have a significantly adverse effect upon competition.

The economy of operations and other benefits resulting from the merger should permit the resultant bank to better serve the convenience and needs of the community through competitive rates, increased services, and an increased lending limit.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The future prospects of the resulting bank appear favorable as does its ability to further enhance its competitiveness in the market and serve the convenience and needs of its customers.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the banks' records of helping to meet the credit needs of their entire communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

March 20, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* [illegible]

THE FIRST JERSEY NATIONAL BANK,
Jersey City, N.J., and Five Branches of Fidelity Union Bank/First National State, Newark, N.J.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Five Branches of Fidelity Union Bank/First National State, Newark, N.J. (15845), with	$4,348,463,000	5	
were purchased July 2, 1984, by The First Jersey National Bank, Jersey City, N.J. (374), which had	1,377,520,000	28	
After the purchase was effected the receiving bank had			33

COMPTROLLER'S DECISION

An application was filed on March 20, 1984 with the Office of the Comptroller of the Currency by The First Jersey National Bank, Jersey City, N.J. (First Jersey), to purchase five branch offices of Fidelity Union Bank, Newark, N.J. (Fidelity) and four branch offices of First National State Bank of New Jersey, Newark, N.J. (FNSB). This application is based upon an agreement finalized between the proponents on February 2, 1984.

As of December 31, 1983, First Jersey had total deposits of $967 million and operated 28 offices in seven eastern New Jersey counties. First Jersey is a majority owned subsidiary of First Jersey National Corporation, a multibank holding company with consolidated deposits of $1.3 billion.

Fidelity and FNSB merged, under the title of "Fidelity Union Bank/First National State," effective March 26, 1984. The nine branches to be acquired are all located in Essex County and held total deposits of $138 million as of December 31, 1983.

The relevant geographic market for this proposal is Essex County where the nine branch offices to be acquired are located. Within the market there are 11 commercial banks holding deposits of $2.7 billion and 21 thrift institutions holding deposits of $2.8 billion. This Office has previously determined that, in the State of New Jersey, thrift institutions and commercial banks do operate in the same line of commerce. (See Decision of the Comptroller of the Currency on the Application to Merge Guarantee Bank, Atlantic City, New Jersey, and The First Jersey National Bank/South, Manahawkin, New Jersey, December 13, 1983.)

First Jersey currently operates three offices in Essex County and holds less than 1 percent of total market deposits. Fidelity Union Bank/First National State is the largest financial institution in the market and will continue to operate 17 offices in the market after the proposed divestiture. After consummation, First Jersey's share of the market will increase to approximately 3 percent. Based on the changes in the market shares of the banks involved and the large number of financial institutions in the market, consummation of the proposed transaction would not have a significantly adverse effect on competition in the relevant geographic market.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory. The future prospects of the buying bank are considered favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of the application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

May 11, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* Asset figures are for the whole bank as of the June 30, 1984 report of condition. Information as of date of consummation was not available at press time.

* * *

PAN AMERICAN BANK, NATIONAL ASSOCIATION,
Miami, Fla., and Central Bank and Trust Company, Miami, Fla., and Central Bank of North Dade, Miami, Fla.

Name of bank and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Central Bank and Trust Company, Miami, Fla., with	$176,765,000	4	
and Central Bank of North Dade, Miami, Fla., with	61,176,000	3	
were purchased July 2, 1984, by Pan American Bank, National Association, Miami, Fla. (16442), which had	872,228,000	26	
After the purchase was effected the receiving bank had			33

COMPTROLLER'S DECISION

On February 23, 1984, application was made to the Office of the Comptroller of the Currency for prior authorization for Pan American Bank, National Association, Miami, Fla. (Pan American), to purchase the assets and assume the liabilities of Central Bank and Trust Company, Miami, Fla. (Central), and Central Bank of North Dade, Miami, Fla. (Central/North Dade). This application is based on an agreement finalized between the proponents on November 2, 1983.

As of September 30, 1983, Central held total deposits of $180 million and Central/North Dade reported $50 million in deposits. Central and Central/North Dade are majority owned subsidiaries of Central Bancorp, Inc., Miami, Fla., a multibank holding company. On the same date Pan American had total deposits of $691 million. Pan American is a wholly owned subsidiary of Pan American Banks, Inc., Miami, Fla., a multibank holding company.

The relevant geographic market for this proposal is Dade County, the area from which Central and Central/North Dade derive over 75 percent of their deposits. Pan American controls 5 percent of total commercial bank deposits in the relevant market and ranks fifth. Central and Central/North Dade have a combined market share of less than 2 percent. The relevant market is highly competitive and unconcentrated, with numerous banking alternatives.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are considered satisfactory. The future prospects of the proponent banks, independently and in combination, are favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

May 18, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

* Asset figures are from the June 30, 1984, report of condition. Information as of date of consummation was not available at press time.

UNITED STATES NATIONAL BANK OF OREGON,
Portland, Ore., and Bank of Milton-Freewater, Milton-Freewater, Ore., and The Bank of Milwaukie, Milwaukie Ore.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Bank of Milton-Freewater, Milton-Freewater, Ore., with	$ 5,705,000	1	
The Bank of Milwaukie, Milwaukie, Ore., which had	11,014,000	1	
and United States National Bank of Oregon, Portland, Ore. (4514), which had	6,397,618,000	183	
merged July 2, 1984, under charter and title of the latter. The merged bank at date of merger had	6,408,271,000		185

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

The Summary of Report by Attorney General was not received at press time.

* * *

BARNETT BANK OF LEE COUNTY, NATIONAL ASSOCIATION,
Fort Myers, Fla., and One Branch of NCNB National Bank of Florida, Tampa, Fla.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
One Branch of NCNB National Bank of Florida, Tampa, Fla. (17775), with	$3,850,992,000	1	
was purchased July 9, 1984, by Barnett Bank of Lee County, National Association, Fort Myers, Fla. (15050), which had	250,197,000	7	
After the purchase was effected the receiving bank had			8

COMPTROLLER'S DECISION

On March 29, 1984, application was made to the Office of the Comptroller of the Currency for prior authorization for Barnett Bank of Lee County, National Association, Fort Myers, Fla. (Barnett), to purchase the assets and assume the liabilities of one branch of NCNB National Bank of Florida, Tampa, Fla. (NCNB). This application is based on an agreement finalized between Barnett and NCNB on March 6, 1984.

As of December 31, 1983, the NCNB branch had total deposits of $3 million. NCNB operates eight offices in Lee County with total deposits of $116 million. On the same date, Barnett had total deposits of $200 million and operated seven offices in Lee County.

The relevant geographic market for this proposal is Lee County, the area from which the NCNB branch derives 75 percent of its deposits. There are 11 commercial banks serving the market, with total deposits of $1.6 billion as of September 30, 1983. Barnett ranks fourth in deposit market share with approximately 11.5 percent and NCNB ranks fifth with 7 percent. The purchase of the branch will increase Barnett's market share by less than 1 percent and will not reduce the number of competitors in the market.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are considered satisfactory. The future prospects of the proponent banks, independently and in combination, are favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low- and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank

* Asset figures are of whole bank as the June 30, 1984, report of condition. Information as of date of consummation was not available at press time.

Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.
May 21, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

UNITED NATIONAL BANK,
Plainfield, N.J., and The First National Bank of Belvidere, Belvidere, N.J.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The First National Bank of Belvidere, Belvidere, N.J. (13628), with	$ 38,230,000	2	
was purchased July 9, 1984, by United National Bank, Plainfield, N.J. (13174), which had	348,581,000	15	
After the purchase was effected the receiving bank had			17

COMPTROLLER'S DECISION

An application was filed on March 30, 1984, with the Office of the Comptroller of the Currency, by United National Bank, Plainfield, N.J. (United), to purchase the assets and assume the liabilities of The First National Bank of Belvidere, Belvidere, N.J. (First). The application is based upon a written agreement executed by the banks on December 8, 1983.

As of December 31, 1983, United had total deposits of $276 million and operated 15 offices in four counties in central New Jersey. As of the same date, First, an independent bank, had total deposits of $33 million and operated two offices in Warren County.

The proponents do not currently compete directly and, therefore, consummation of the proposal will not have a significant effect on competition in the relevant geographic market. The relevant geographic market for this proposal is the western portion of Warren County, where First derives the bulk of its deposits. United does not operate any offices in this market and its closest office is approximately 15 miles distant. Accordingly, consummation of this proposal will merely substitute one competitor in the market for another.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." We find the financial and managerial resources of both banks to be satisfactory. The future prospects of the proponents, individually and combined, are considered favorable although the larger resulting bank is expected to provide a wider range of banking services.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.
June 6, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

NCNB NATIONAL BANK OF TAMPA,
Tampa, Fla., and Ellis First National Bank of West Pasco, New Port Richey, Fla., and Ellis First National Bank in Tarpon Springs, Tarpon Springs, Fla., and Ellis Springs Bank, National Association, Tarpon Springs, Fla.

Names of banks and type of transaction	Total assets	Banking offices In operation	Banking offices To be operated
NCNB National Bank of Tampa, Tampa, Fla. (17775), with	$3,850,992,000	79	
and Ellis First National Bank of West Pasco, New Port Richey, Fla. (15043), which had	223,316,000	11	
Ellis First National Bank in Tarpon Springs, Tarpon Springs, Fla. (13961), which had	384,580,000	4	
and Ellis Springs Bank, National Association, Tarpon Springs, Fla. (18142), which had	30,002,000	1	
merged July 12, 1984, under charter and title of NCNB National Bank of Tampa. The merged bank at date of merger had	4,188,890,000		95

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

The Summary of Report by Attorney General was not available at press time.

* * *

THE CENTRAL TRUST COMPANY OF NORTHERN OHIO, N.A.,
Lorain, Ohio, and The City Bank Company, Lorain, Ohio

Names of banks and type of transaction	Total assets*	Banking offices In operation	Banking offices To be operated
The City Bank Company, Lorain, Ohio, with	$ 54,946,000	5	
and The Central Trust Company of Northern Ohio, N.A., Lorain, Ohio (15456), which had	157,057,000	7	
merged July 14, 1984, under charter of the latter and title of "The Central Trust Company of Northern Ohio, National Association." The merged bank at date of merger had			12

COMPTROLLER'S DECISION

On March 6, 1984, application was made to the Office of the Comptroller of the Currency for prior authorization to merge The City Bank Company, Lorain, Ohio (City), into The Central Trust Company of Northern Ohio, N.A., Lorain, Ohio (Central Trust). This application is based on an agreement finalized between the banks on January 6, 1984.

As of December 31, 1983, City had total assets of $58 million and operated through a total of five offices in Lorain County.

Central Trust had total assets of $152 million and operated eight offices in Lorain County as of December 31, 1983. Central Trust is a subsidiary of Central Bancorporation, Inc., the eighth-largest banking organization in the State of Ohio with total deposits of $2.7 billion.

City and Central Trust are competitors within the same relevant geographic market, namely the northern third of Lorain County, Ohio. Savings and loan associations are significant competitors in the relevant geographic market holding more than one-third of the market's total deposits.

A total of nine commercial banks and nine savings and loan associations operate in the relevant market. City ranks sixth among commercial banks in the market, controlling 6.5 percent of commercial bank deposits. Central Trust ranks fourth with 15.3 percent of commercial bank deposits.

After consummation, Central Trust will remain the fourth-largest commercial bank in the market. It should be noted that the relevant geographic market is located in close proximity to Cleveland and is part of the Cleveland metropolitan area. A review of financial institutions operating on the periphery of Lorain County disclosed a number of banks belonging to automatic teller machine networks, many Cleveland banks maintaining branch offices in the area and

* Asset figures are from the June 30, 1984, report of condition. Information as of date of consummation was not available at press time.

principal advertising media serving both areas. Lorain County residents commuting daily into Cleveland and the surrounding area are exposed to numerous other banking alternatives. This factor mitigates any potential lessening of competition in the area.

Another mitigating factor is that City has not performed well in recent years, limiting its effectiveness as a competitor in the relevant geographic market. The effect on competition is mitigated further when consideration is given to the number of thrifts in the area. While consummation of this transaction will eliminate one competitor in the relevant market, the resultant bank's market share would approximate only 14 percent if thrifts are included.

Given the commuting patterns, the condition of City, the number of thrifts in the area and other banking alternatives (which include some of the state's largest banking organizations), consummation of this proposal would have no significant anticompetitive effects in the relevant market.

The Bank Merger Act requires this Office to consider ... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served. The financial and managerial resources of Central Trust are satisfactory. However, the present condition of City is less than satisfactory. After consummation, the resulting bank will be able to draw on the financial and managerial resources of Central Trust and Central Bancorporation, Inc. Consequently, the future prospects of the resulting bank appear favorable, as do the expected effects of the proposed merger on the convenience and needs of the communities to be served.

A review of the record of this application and other information available to this office as a result of its regulatory responsibilities revealed no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not have a significant effect on competition in the relevant market. Other factors considered in this proposal are satisfactory. Accordingly, the application is approved.

June 4, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

SHELARD NATIONAL BANK,
St. Louis Park, Minn., and Guaranty State Bank of St. Paul, St. Paul, Minn.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
Guaranty State Bank of St. Paul, St. Paul, Minn., with	$ 28,619,000	1	
was purchased July 19, 1984, by Shelard National Bank, St. Louis Park, Minn. (16128), which had	71,470,000	5	
After the purchase was effected, the receiving bank had			6

COMPTROLLER'S DECISION

On July 19, 1984, application was made to the Comptroller of the Currency to grant prior written approval for the Shelard National Bank, St. Louis Park, Minn. (Assuming Bank), to purchase certain assets and assume certain liabilities of Guaranty State Bank of St. Paul, St. Paul, Minn. (Guaranty). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Guaranty. For reasons set forth below, the application is hereby approved and Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

[illegible]

Guaranty was declared insolvent by the State of Minnesota on July 19, 1984, and was placed in the hands of the FDIC as receiver. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and the Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Guaranty.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve an assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the St. Paul community. Assuming Bank has sufficient financial and managerial resources, and this acquisition will enable it to enhance the banking services offered in the community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Guaranty, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Guaranty requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community. The Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

Assuming Bank is also authorized to operate Guaranty's office as a branch.

July 19, 1984

Due to the emergency nature of the situation, the Attorney General's report was not requested.

* * *

FIRST WEST VIRGINIA BANK, NATIONAL ASSOCIATION-WARWOOD, Wheeling, W. Va., and First West Virginia Bank, National Association-Community, Wheeling, W. Va.

Names of banks and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
First West Virginia Bank, National Association-Warwood, Wheeling, W. Va. (16248), with	$ 27,348,000	2	
and First West Virginia Bank, National Association-Community, Wheeling, W. Va. (16332), which had	18,771,000	1	
merged July 23, 1984, under charter of the latter and title "First West Virginia Bank, National Association." The merged bank at date of merger had	46,119,000		3

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

The Summary of Report by Attorney General was not received at press time.

* * *

BARNETT BANK OF SOUTH FLORIDA, NATIONAL ASSOCIATION, Miami, Fla., and Bank of Hallandale and Trust Company, Hallandale, Fla.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
Bank of Hallandale and Trust Company, Hallandale, Fla., with	$ 293,365,000	5	
and Barnett Bank of South Florida, National Association, Miami, Fla. (13828), which had	2,452,350,000	48	
consolidated July 24, 1984, under charter and title of the latter. The consolidated bank at date of consolidation had			53

COMPTROLLER'S DECISION

On April 12, 1984, application was made to the Office of the Comptroller of the Currency for prior authorization to consolidate Barnett Bank of South Florida, National Association, Miami, Fla. (Barnett), and Bank of Hallandale, and Trust Company, Hallandale, Fla. (Hallandale). This application is based on an agreement finalized between the banks on February 28, 1984.

As of December 31, 1983, Barnett had total deposits of $1.9 billion, and operated 40 offices throughout Dade and Broward counties. Barnett is the largest subsidiary of Barnett Banks of Florida, Inc., which is the largest bank holding company in Florida.

Hallandale reported total deposits of $246.3 million as of December 31, 1983, and operated through a total of five offices serving southern Broward County.

Savings and loan associations are significant competitors in Broward and Dade counties and account for 47 percent of area deposits. With the advent of deregulation and the passage of recent financial legislation, including the Garn-St Germain Depository Institutions Act of 1982, savings and loans are becoming direct competitors of commercial banks in attracting deposits and offering a wide array of related financial services.

Barnett and Hallandale are competitors within the same relevant geographic market, namely southern Broward and northern Dade counties, Florida, the area from which Hallandale derives the bulk of its deposits. Within this area, competition between commercial banks, savings and loan associations and other providers of financial services is keen. A total of 19 commercial banking organizations and 18 savings and loan associations either have offices in this area, or operate on the periphery.

Presently, Hallandale and Barnett possess market shares of less than 5 percent and less than 8 percent, respectively. After consummation, Barnett will remain the second largest bank in this market. Therefore, based on the numerous competitive alternatives and the proponents' market shares, consummation of this transaction will not significantly lessen competition in the relevant geographic market.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The future prospects of the resulting bank appear favorable as does its ability to further enhance its competitiveness in the market and serve the convenience and needs of its customers.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the banks' records of helping to meet the credit needs of their entire communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not have a significant effect on competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

June 8, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* [illegible]

BANK SOUTH, NATIONAL ASSOCIATION,
Atlanta, Ga., and Bank of Cumming, Cumming, Ga., and Bank South, Forest Park, Ga.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Bank of Cumming, Cumming, Ga., with	$ 71,995,000	10	
Bank South, Forest Park, Ga., with	150,092,000	8	
and Bank South, National Association, Atlanta, Ga. (9617), which had	1,555,399,000	40	
merged July 25, 1984, under charter and title of the latter. The merged bank at date of merger had			58

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions.

The Summary of Report by Attorney General was not received at press time.

* Asset figures are from the June 30, 1984, report of condition. Information as of date of consummation was not available at press time.

* * *

FIRST NATIONAL BANK OF BRUNSWICK,
Brunswick, Ga., and The First National Bank in Waycross, Waycross, Ga.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank of Brunswick, Brunswick, Ga. (4944), with	$119,180,000	5	
and The First National Bank in Waycross, Waycross, Ga. (14193), which had	46,236,000	4	
merged July 26, 1984, under charter and title of the former. The merged bank at date of merger had	165,416,000		9

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued

The Summary of Report by Attorney General was not received at press time.

* * *

THE NATIONAL BANK AND TRUST COMPANY OF NORWICH,
Norwich, N.Y., and National Bank of Oxford, Oxford, N.Y.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
National Bank of Oxford, Oxford, N.Y. (14025), with	$ 19,606,393	1	
and The National Bank and Trust Company of Norwich, Norwich, N.Y. (1354), which had	353,160,663	17	
merged July 31, 1984, under charter and title of the latter. The merged bank at date of merger had	367,467,048		18

COMPTROLLER'S DECISION

On August 11, 1982, application was made to the Office of the Comptroller of the Currency for prior authorization to merge National Bank of Oxford, Oxford, N.Y. (Oxford Bank), into the National Bank and Trust Company of Norwich, Norwich, N.Y. (Norwich Bank). This application is based on an agreement finalized between Oxford Bank and Norwich Bank on June 8, 1982.

As of March 31, 1982, Oxford Bank, a unit bank, had total deposits of $15 million. On the same date Norwich Bank had total deposits of $243 million and operated 17 branches in five counties located in the north-central section of New York State. Oxford Bank draws the vast majority of its deposits from a small area approximating Oxford Township. Norwich Bank, on the other hand, draws its deposits from a much broader area that includes Oxford Township.

Where, as here, analysis must focus upon direct competition between the proponents of a merger,[1]

> The proper question to be asked [in defining the relevant section of the country] is not where the parties to the merger do business or even where they compete, but where, within the area of competitive overlap, the effect of the merger will be direct and immediate.

U.S. v. *Philadelphia National Bank*, 374 U.S. 321, 357 (1963). In this case, because the market area of Oxford Bank lies entirely within that of the Norwich Bank, the relevant geographic market should be defined by the area from which the Oxford Bank draws the bulk of its customers.

Oxford Bank obtains 74.1 percent of its demand deposit accounts, 78.9 percent of its savings deposit accounts, 75.7 percent of its time deposit accounts and [illegible] percent of its loans from Oxford Township (which includes the Village of Oxford). Further, there is no other discrete geographic area from which the bank draws more than 6.9 percent of its deposit accounts. Thus, under the above standard, Oxford Township is the "section of the country" in which the proposed merger should be evaluated. However, for the reasons discussed below, such a small geographic and demographic area cannot legitimately be deemed a "section of the country."

In antitrust, as in all areas of the law, effects which fall within the literal language of the law can be so *de minimis* that the law is deemed inapplicable.[3] This rule has particular relevance in antitrust law because

> care must be taken to avoid condemning a merger on the basis of some unduly narrow market definition, or by reference to a market which, though arguably separate from other markets served, it is not really "significant."
> (2 P. AREEDA & D. TURNER, ANTITRUST LAW ¶ 543c. *See also* Note, *The Line of Commerce for Commercial Bank Mergers: A Product-Oriented Redefinition*, 96 Harv. L. Rev. 907, 923 N. 96 (1983).

Indeed, the legislative history of the 1950 amendment of ¶ 7 of the Clayton Act, in which the word "community" was deleted from the Act's description of the relevant geographic market, indicates that Congress' concern

> was with the adverse effect of a given merger only in an economically significant "section" of the country.
> (*Brown Shoe Co.*, v. *United States*, 370 U.S. 294, 320 (1962) (Emphasis added.)

Whether a market is "economically significant" depends largely upon the customer population served within the market, although the issue is one of fact and can depend upon additional factors such as the total

[illegible]

[illegible]

sales of the relevant goods or services in the market.[4] No area with a population of less than 10,000 has been held to be economically significant.[5] Oxford Township (including the Village of Oxford), one of 21 townships in Chenango County, had a population in 1980 of only 3961. It is served by only one depository institution office: Oxford Bank. The total deposits derived by the proponent banks from the area approximate $15.1 million and it is unlikely that the total deposits derived by all depository institutions are sufficiently greater than this as to be truly significant. Thus, by any measure, the geographic area relevant to the subject merger is not an economically significant section of the country. Accordingly, even if the proposed merger would substantially lessen competition within that area, a supposition we do not accept, the merger could not properly be prohibited under the Bank Merger Act on such grounds.

Further, even assuming *arguendo* that the relevant geographic market is more expansive than Oxford Township, we still find that the proposed merger would not substantially lessen competition within such an area. The largest area which could properly be designated as the relevant section of the country, given the very small size of the bank to be acquired, is defined by a radius of 15 miles from the office of Oxford Bank. Oxford Bank derives 93.8 percent of all its deposit accounts from this area, which encompasses the municipalities of Oxford, Greene, Bainbridge, Afton, and the county seat, Norwich. Within this area are Oxford Bank's sole office and the main office and four branches of Norwich Bank. However, both institutions face substantial competition from other depository institutions. Located in Greene is an office of Key Bank N.A., Albany, New York (Key Bank) which is part of a multibank holding company with total deposits of $2.1 billion. A branch of the Lincoln First Bank, N.A., Rochester, New York (Lincoln Bank), part of a multibank holding company with total deposits of $2.7 billion, is doing business in Norwich. Also in Norwich are the Chenango Federal Savings & Loan Association, with total deposits of $24 million and a branch of the Binghamton Savings Bank, with total deposits of $26 million. Just outside the area in [illegible] is a branch of Marine Midland Bank, N.A., a subsidiary of the 13th largest bank in the country[6] and a subsidiary of the 24th largest commercial banking organization in the world[7] with total deposits of $47.5 billion. Finally, within less than 30 miles of Oxford is the city of Binghamton which contains offices of some of the country's largest banking organizations including Bankers Trust, Chase Manhattan Corp., Chemical New York Corp., and Citicorp.

As pointed out in the competitive factors reports this Office received from the Board of Governors of the Federal Reserve System and the Department of Justice, if analysis is limited solely to the structure of the market as indicated by market share figures, the proposed merger would appear to pose a substantial risk of anticompetitive effects. Assuming a line of commerce limited to commercial banks, the market shares of firms with offices in the 15-mile radius relevant geographic area are: Norwich Bank, 63.0 percent; Key Bank, 16.9 percent; Lincoln Bank, 11.9 percent and Oxford Bank, 8.3 percent.[8] The post-merger Herfindahl-Hirschman Index (HHI) is 5511, representing an increase of 1046. The inclusion of thrift institutions in the line of commerce significantly reduces the levels of concentration, but not to levels normally deemed acceptable under structural analysis. The post-merger HHI in such a market is 3490, representing an increase of 606.

Nevertheless, it is well established that structural statistics concerning market share and concentration are never conclusive indicators of probable anticompetitive effects; at most they give rise to an inference which may be rebutted by nonstructural analysis of the relevant markets.[9] As one court has observed:

> In theory, a market in which there are only two competitors—*i.e.*, a market with a two-firm concentration ratio of 100 percent—may be fiercely competitive. By the same token, a market with fifteen competitors, each of whom account for an equal portion of the market, may behave oligopolistically.
> (*Republic of Texas Corp. v. Board of Governors*, 649 F. 2d 1026, 1044 N. 32 (5th Cir. 1981).)

[4] *U.S. v. County Nat'l Bank of Bennington*, 339 F. Supp. 85 (D. Ver. 1972); *U.S. v. County Nat'l Bank of Bennington*, 330 F. Supp. 155 (D. Ver. 1971).

[5] *U.S. v. Phillipsburg Nat'l Bank*, 399 U.S. 350, 365 (1970) (two-town area with population of almost 90,000 and with offices of seven banks *held* economically significant); *Brown Shoe*, *supra*, 370 U.S. at 337-38 (cities with populations greater than 10,000 *held* economically significant); *Pargas, Inc. v. Empire Gas Corp.*, 423 F. Supp. 199 (D. Md. 1976), *aff'd*, 546 F. 2d 25 (4th Cir. 1976) (cities with populations greater than 10,000 *held* economically significant); *County Nat'l Bank of Bennington*, *supra* (area encompassing two thirds of a county, with a population of 23,733, offices of 4 banks, and from which deposits of almost $60 million were derived *held* economically significant); *U.S. v. Idaho First Nat'l Bank*, 315 F. Supp. 261, 268 (D. Idaho 1970) (city with population of 25,000 *held* not economically significant).

[6] Ranked by total deposits as of June 1982. At that time, Marine Midland Bank, N.A. had total deposits of $15.1 [illegible].

[7] Ranked by total deposits as of December 198[illegible].

[8] All market shares are based upon total deposits [illegible] offices as of June 30, 1981.

[9] *United States v. Marine Bancorporation*, [illegible] (1974); *U.S. v. General Dynamics Corp.*, [illegible]; *Philadelphia Nat'l Bank*, *supra*, 374 [illegible]; *supra*, 370 U.S. 321-22; *United States v. [illegible]*, 499 F. Supp. 793 (D.N.J. 1980); [illegible] *supra*, 399 U.S. at 330 [illegible].

Similarly, another court has stated:

> There is no automatic, direct relationship between a particular concentration ratio and the competitive performance in any particular banking market; concentration ratios based on commercial bank deposits are useful only as a starting point of analysis.
> (*First Nat'l State Bancorp*, *supra*, 499 F. Supp. at 805 (footnote omitted).)

Based upon a nonstructural analysis of the proposed merger, this Office finds that the merger would not substantially lessen competition in the alternative section of the country as defined by the 15-mile radius.

One inherent deficiency in a purely structural approach to merger analysis is that, by construction, it must ignore the important variable of absolute size. Focusing exclusively upon market share, such an analysis treats the acquisition of a $500 million institution in a $100 billion market as completely identical to an acquisition of a $5 million institution in a $1 billion market. Yet the two mergers may present profoundly different competitive situations, particularly with respect to the competitive abilities of the target institution and the capacity of other institutions to foil any post-merger attempt to exercise market power.

The above point is particularly pertinent here because Oxford Bank holds extremely small absolute amounts of deposits and loans. As of September 30, 1982, Oxford Bank had gross loans of only $7.8 million and total deposits of only $15 million. More than $3 million of its loans were real estate loans and only $760,000 were commercial and industrial loans. In addition to its small absolute size, the data clearly show that Oxford Bank has a very conservative loan policy. As of September 30, 1982, its ratio of net loans to total assets was an extremely low 0.417. An extraordinary 22.3 percent of its average assets were in Federal Funds sold and 13.7 percent were in securities with maturities under 1 year. The bank's ratio of net loans to total deposits was only 0.479. Its very low ratio of loans to total assets, its heavy investment in government securities and mortgages, and its low loan to deposit ratio all are indicative of a bank with a relatively minor competitive role in the relevant market.[10]

These findings are important in two respects. First, they indicate that the acquisition of Oxford Bank is not likely to substantially lessen competition by eliminating an important market force. Second, and more significantly, they establish that the competitive role of Oxford Bank can easily be filled by other institutions; this might not be true if it were a larger, more aggressive bank. In other words, if, following the acquisition of Oxford Bank, there should be an attempt to exercise market power, another institution (by expanding its customer base) could easily play the same role that Oxford Bank would have played in foiling that attempt. If this occurred, the proposed merger could not result in truly "substantial" lessening of competition.[11]

Clearly, there are in the relevant geographic area depository institutions fully capable of substituting for the small and passive Oxford Bank. Despite their relatively small market shares, either Key Bank or Lincoln Bank is able to fill that role.

Another deficiency in purely structural analysis is that market share data can give an inaccurate picture of a firm's true competitive capacity. As the Supreme Court has observed:

> Evidence of past production [or sales] does not, as a matter of logic, necessarily give a proper picture of a company's future ability to compete.
> (*General Dynamics Corp.*, *supra*, 415 U.S. at 501.)

This is particularly true where market shares are computed solely on the basis of services sold in the relevant market and where one or more of the market participants has significant sales outside the market. In such a case, the market shares would not reflect the capacity of such firms to divert resources from the external markets in response to an attempt to exercise market power in the relevant market. The true future competitive ability of such firms is substantially greater than their existing market shares, particularly if the firms' existing market shares are a relatively small portion of their total output.[12]

This diversion theory can be properly applied to depository institution product markets. Even a small depository institution office can accept significantly

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[10] [illegible]

[11] This conclusion is not dependent upon a highly speculative finding that any such attempt would, in fact, be foiled, but only that there is a functionally equivalent substitute for Oxford Bank, i.e., another bank capable of serving the customers that would have been served by Oxford Bank in response to the exercise of market power.

[12] See, P. AREEDA & D. TURNER, ANTITRUST LAW ¶ 523a, pp. 358-59; W. Landes & R. Posner, *Market Power in Antitrust Cases*, 94 Harv. L. R. 937 at [illegible] (1981); Department of Justice Merger Guidelines [illegible] at pp. 15-16. Indeed, these authorities indicate that it is proper to [illegible] outside sales in computing [illegible]

more deposits with little strain on existing capacity. Moreover, deposit-taking facilities are easily and inexpensively expanded. With respect to loans, a large depository institution which serves several geographic areas can easily shift significant amounts of its lending resources from one area to another in response to changes in demand.

In the present case, there is no doubt that either Key Bank or Lincoln Bank (with assistance from their parent organizations) could, in response to an attempt to exercise market power, easily expand sufficiently to substitute for Oxford Bank. Oxford Bank's total deposits are less than 0.71 percent of the deposits held by Key Bank's holding company and less than 0.57 percent of those of Lincoln Bank's holding company. Oxford Bank's total loans represent less than 0.37 percent and 0.29 percent, respectively, of the deposits of the Key Bank and the Lincoln Bank holding companies. Thus, neither banking organization would experience an undue dislocation of its resources or an improper concentration if it were to expand its operations in Chenango County in response to an attempted exercise of market power.

Further, two other depository institutions presently in the relevant geographic area could expand capacity sufficiently to foil such an attempt: The Binghamton Savings Bank (Binghamton Bank) and the Chenango Federal Savings & Loan Association (Chenango S&L). Under recent federal and state legislation, both are legally authorized to offer substantially all the services presently being offered by Oxford Bank.[13] While neither firm has yet to make extensive use of these powers, it is likely that they will begin to do so in the relatively near future.[14] Once again, because of the extremely small amount of loans and deposits held by Oxford Bank, it is not beyond the capacity of these thrift institutions to substitute for Oxford Bank should the need and opportunity arise. The total commercial and industrial loans held by Oxford Bank are less than 2.9 percent of the deposits held in the Binghamton Bank branch office and less than 3.2 percent of Chenango S&L deposits. The total IPC demand deposits held by Oxford Bank are less than 7.3 percent and 7.9 percent, respectively, of the total deposits of the Binghamton Bank branch and Chenango S&L.

Thus, there are presently in the market (in addition to the proponent firms) four depository institutions capable of preventing any post-merger exercise of market power.[15]

Additionally, as noted above, there are offices of very large banking organizations located within the immediate vicinity of the relevant area. Their presence may serve as an additional deterence to non-competitive acts in the area, particularly because the proposed merger would lift the home office protection branching prohibition presently applicable to the Village of Oxford. Accordingly, this Office finds that the proposed merger would not substantially lessen competition in the 15-mile radius geographic area.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are considered satisfactory. The future prospects of the proponent banks, independently and in combination, are favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served. Following the merger, the bank to be acquired will likely become more progressive in its loan policy and service offerings. The Oxford community will benefit from this change and in other ways.

A review of the record of this application and other information available to this Office as a result of its

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[13] The asset and liability powers of federal savings and loan associations were greatly expanded by the Garn-St Germain Depository Institutions Act of 1982 (Act) which empowered them to acquire up to 10 percent of their assets in commercial loans and to accept demand deposits from persons or corporations that have established a business, corporate, commercial or agricultural loan relationship. In addition to the express commercial loan powers, the Act also granted federal savings and loan associations authority to have 40 percent of their assets in "non-residential real estate loans," 30 percent in "consumer loans" (including inventory and floor-plan financing), and 10 percent in tangible personal property for leasing. *See* Sections 322, 329, and 330(3) of the Act. Many of the types of loans which could be made under these provisions would fall within the traditional category of "commercial and industrial loans." Thus, the 10 percent empowerment under Section 325 of the Act does not accurately indicate the true potential of federal savings and loan associations to make commercial loans.

Similarly, New York savings banks recently were empowered to make commercial loans up to 5 percent of their total assets, to accept corporate savings deposits, and to accept corporate demand deposits in connection with a loan relationship. *See* N.Y. Banking Law Sections 235 and 237 (McKinney). Further, pursuant to Sections 112 and 313 of the Garn St Germain Act, state chartered savings banks may convert to federal charters and exercise the above described federal asset powers.

[14] As we noted in our *Decision on the Application to Merge the Connecticut Bank and Trust Company into the State National Bank of Connecticut* (December 1, 1982) at p.6, there are [illegible] ic factors motivating thrift institutions to make use of [illegible] powers.

[15] We, of course, recognize that as the number of [illegible] decreases, the possibility of [illegible] Thus, the ability of firms within the market [illegible] may not always provide sufficient [illegible] tive effects if, *e.g.*, the number of [illegible] the present case, we find the [illegible] be insubstantial in light of the [illegible] firms within the geographic [illegible] firms on the fringes of the area.

[illegible] investigations revealed no evidence that the applicant's record of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not substantially lessen competition in any economically significant section of the country. Accordingly, the application is approved.[*]

April 8, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

Applicant, headquartered in Norwich, New York, operates 17 offices, 9 in Chenango County, 5 in Delaware County, 2 in Broome County, and 1 in Tioga County. It is the largest bank in Chenango County. As of March 31, 1982, Applicant held total deposits of $242 million including IPC demand deposits of $42 million and IPC time and savings deposits of $178 million.

Bank, the fifth largest financial institution in Chenango County, operates its only office in the town of Oxford. As of March 31, 1982, Bank held total deposits of $15 million including IPC demand deposits of $1.6 million and IPC time and savings deposits of $11.8 million.

Chenango County is situated in the south-central region of New York. It is 40 miles north of Binghamton, the closest large city. Chenango County had a population of 49,344 in 1980, an increase of 6.4% over its 1970 population. The largest town is Norwich, the county seat, with a 1980 population of 11,064. Oxford, with a 1980 population of 1,765, is six miles southwest of Norwich.

Chenango County is primarily agricultural but also has some diversified small industry. Norwich draws substantial numbers of commuters to work at Norwich Eaton Pharmaceuticals, Inc., and Simmonds Precision, Inc. Other employment centers are Greene, in the southwestern corner of Chenango County, which draws some commuters to Raymond Corp., and Sidney, just over the county line to the southeast, which draws commuters to Bendix Corp., Keith Clark, Inc., and Unadilla Silo Co. There is also a small amount of commuting from Chenango County to Binghamton.

Given the distance of Chenango County from Binghamton, that city and its environs are not included in the relevant geographic market for services to locally limited individuals and businesses.[1] The relevant geographic market can be best approximated by Chenango County plus the towns of Sidney and Unadilla.

The banking industry in the relevant market is concentrated. The four largest depository institutions hold 79.8% of the total deposits in the market. The Herfindahl-Hirschman Index for total deposits is 0.3262. Applicant is the dominant institution, holding 54.2% of total deposits. It has previously acquired three banks in the market. Bank is the seventh-ranked institution with 4.5% of total deposits.

Applicant and Bank are direct competitors. Bank is the only institution in the town of Oxford. Norwich banks, less than seven miles distant, are the most convenient alternatives. Further, there is a substantial amount of commuting from Oxford to Norwich. Finally, the parties admit in their application that Norwich institutions compete with Bank.[2]

The competitive effects of the merger will be significant. The four-firm concentration ratio will increase from 79.8% to 84.3%. The Herfindahl-Hirschman Index will increase by 0.0488 to 0.3750.

The proposed transaction will eliminate direct competition and substantially increase concentration levels in the relevant market. We conclude, therefore, that this merger will have a significantly adverse effect on competition.

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[*] The two protests to the application have been reviewed and [illegible] by this Office. Both essentially contend that the subject merger may have anticompetitive effects and in any event would not serve the convenience and needs of the community to be served. For the reasons stated above, the protests are found to be without merit.

[1] The Binghamton Rand McNally Metro Area ("RMA"), the measure defined by the Rand McNally Co. according to commuting patterns, does not include any portion of Chenango County.

[2] Application at 72, 73, 87.

BANK ONE, PORTSMOUTH, NATIONAL ASSOCIATION, Portsmouth, Ohio, and The Waverly State Bank, Waverly, Ohio

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Waverly State Bank, Waverly, Ohio, with	$ 34,345,000	3	
and Bank One, Portsmouth, National Association, Portsmouth, Ohio (7781), which had	178,546,000	6	
merged August 1, 1984, under charter and title of the latter. The merged bank at date of merger had			9

COMPTROLLER'S DECISION

On March 20, 1984, application was made to the Office of the Comptroller of the Currency for prior authorization to merge The Waverly State Bank, Waverly, Ohio (Waverly), into Bank One, Portsmouth, National Association, Portsmouth, Ohio (Bank One). This application is based on an agreement finalized between Waverly and Bank One on February 28, 1984.

As of December 31, 1983, Waverly, an independent bank, had total deposits of $29 million and operated its two offices in Pike County. On the same date, Bank One had total deposits of $145 million and operated eight offices in Scioto County. Bank One is a subsidiary of Banc One Corporation, Columbus, Ohio, a multi-bank holding company, with total deposits of $6 billion as of December 31, 1983.

The relevant geographic market for this proposal is Pike County, where Waverly operates its two offices and derives over 75 percent of its deposits. There are two commercial banks serving the market with five banking offices and total deposits of $76 million. Waverly has a 32 percent market share. Bank One operates no offices in the relevant geographic market and is not a direct competitor in Pike County. Consequently, consummation of this proposal will merely replace one competitor with another, and allow Bank One to expand into a market it currently does not serve.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are considered satisfactory. The future prospects of the proponent banks, independently and in combination, are favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

June 27, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* Asset figures are from the June 30, 1984, report of condition. Information as of date of consummation was not available at press time.

* * *

THE CONCORD NATIONAL BANK,
Concord, N.C., and Citizens National Bank, Concord, N.C.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
Citizens National Bank, Concord, N.C. (14481), with	$53,320,000	5	
and The Concord National Bank, Concord, N.C. (3903), which had	61,226,000	4	
merged August 1, 1984, under charter of latter and title of "First Charter National Bank." The merged bank at date of merger had			9

COMPTROLLER'S DECISION

On April 27, 1984, application was made to the Office of the Comptroller of the Currency for prior authorization to merge Citizens National Bank, Concord, N.C. (Citizens), into The Concord National Bank, Concord, N.C. (Concord). This application is based on an agreement finalized between the proponents on November 28, 1983.

As of December 31, 1983, Concord had total deposits of $50 million and operated six offices, all in Cabarrus County. Concord is a wholly owned subsidiary of Concord National Inc., a one-bank holding company.

On the same date, Citizens, an independent bank, held total deposits of $46 million and operated five offices, all in Cabarrus County.

The relevant geographic market for this proposal is Cabarrus County, the area in which both banks operate and derive the bulk of their deposits. This Office has previously determined that, in the State of North Carolina, thrift institutions are substantial competitors of commercial banks.[1] Within the relevant market, there are 10 financial institutions holding total deposits of $485 million. Concord and Citizens rank sixth and seventh, respectively, in the market. The resulting bank would become the third largest with approximately 18 percent of local market deposits. The market is not highly concentrated, and competition is intense. Competitors include three of the four largest commercial banking organizations in North Carolina; the fourth has an approved but unopened branch in the market. The competitive importance of these four organizations is significant and not adequately measured by their local market shares. Although the merger eliminates direct competition and increases concentration to some extent, it would not have a significantly adverse effect upon competition in the relevant geographic market.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." We find the financial and managerial resources of Concord and Citizens to be satisfactory. The future prospects of the proponents, individually and combined, are considered favorable although the larger resulting bank is expected to provide a wider range of banking services.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

June 22, 1984

* [illegible] the June 30, 1984, report of condition [illegible] was not available at press time.

[1] [illegible] the Currency on the Application to [illegible] Trust Company, Charlotte, N.C., to [illegible] November 28, 1983.

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FIRST TENNESSEE BANK NATIONAL ASSOCIATION MEMPHIS,

Memphis, Tenn., and First Tennessee Bank National Association Franklin, Franklin, Tenn., and First Tennessee Bank N.A. Cookeville, Cookeville, Tenn., and First Tennessee Bank N.A. Nashville, Nashville, Tenn., and First Tennessee Bank N.A. Murfreesboro, Murfreesboro, Tenn., and First Tennessee Bank, Gallatin, Tenn.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
First Tennessee Bank National Association Franklin, Franklin, Tenn. (8443), with	$ 137,245,000	6	
First Tennessee Bank N.A. Cookeville, Cookeville, Tenn. (9667), with	108,565,000	4	
First Tennessee Bank N.A. Nashville, Nashville, Tenn. (16410), with	98,919,000	4	
First Tennessee Bank N.A. Murfreesboro, Murfreesboro, Tenn. (14736), with	46,350,000	4	
First Tennessee Bank, Gallatin, Tenn., with	39,269,000	3	
and First Tennessee Bank National Association Memphis, Memphis, Tenn. (336), which had	3,427,509,000	58	
merged August 1, 1984, under charter and title of the latter. The merged bank at date of merger had			79

COMPTROLLER'S DECISION

First Tennessee Bank, Jackson, Tenn., First Tennessee Bank, Jonesboro, Tenn., First Tennessee Bank, Morristown, Tenn., First Tennessee Bank, Dyersburg, Tenn., First Tennessee Bank, Mosheim, Tenn., First Tennessee Bank, Gallatin, Tenn., First Tennessee Bank, Maryville, Tenn., Jefferson County Bank, Dandridge, Tenn., First Tennessee Bank N.A. Cookeville, Cookeville, Tenn., First Tennessee Bank N.A. Murfreesboro, Murfreesboro, Tenn., First Tennessee Bank N.A. Kingsport/Bristol, Kingsport, Tenn., First Tennessee Bank N.A. Nashville, Nashville, Tenn., First Tennessee Bank N.A. Chattanooga, Chattanooga, Tenn., First Tennessee Bank National Association Franklin, Franklin, Tenn. and First Tennessee Bank N.A. Memphis, Memphis, Tenn.,† are majority-owned and controlled by First Tennessee National Corporation, Memphis, Tenn., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

* Asset figures are from the June 31, 1984, report of condition Information as of date of consummation was not available at press time

† The mergers of these banks will consummate on different dates

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.

November 29, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FLAGSHIP BANK OF JACKSONVILLE,
Jacksonville, Fla., and Sun Bank North Florida, National Association, Jacksonville, Fla.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
Flagship Bank of Jacksonville, Jacksonville, Fla., with	$140,837,000	6	
and Sun Bank North Florida, National Association, Jacksonville, Fla. (17299), which had	126,933,000	6	
merged August 1, 1984, under charter and title of the latter. The merged bank at date of merger had			12

COMPTROLLER'S DECISION

Sun Bank North Florida, National Association and Flagship Bank of Jacksonville are majority owned and controlled by Sun Banks, Inc., Orlando, Fla., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.

May 7, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* Asset figures are from the June 30, 1984, report of condition. Information as of date of consummation was not available at press time.

* * *

OMAHA NATIONAL BANK,
Omaha, Neb., and Commercial National Bank & Trust Company, Grand Island, Nebraska, Grand Island, Neb.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
Commercial National Bank & Trust Company, Grand Island, Nebraska, Grand Island, Neb. (14340), with	$ 80,132,000	3	
was purchased August 7, 1984, by Omaha National Bank, Omaha, Neb. (1633), which had	881,588,000	11	
After the purchase was effected the receiving bank had			14

COMPTROLLER'S DECISION

On August 7, 1984, application was made to the Comptroller of the Currency to grant prior written approval for Omaha National Bank, Omaha, Neb. (Assuming Bank), to purchase certain assets and assume certain liabilities of Commercial National Bank & Trust Company, Grand Island, Nebraska, Grand Island, Neb. (Commercial).

The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, by which Assuming Bank and Commercial have agreed that Assuming Bank will purchase certain assets and assume certain liabilities, including all deposit liabilities, of Commercial. For reasons set forth below, the application is hereby approved and Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve an assumption transac-

[illegible]

tion which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the community.

The Comptroller finds that an emergency exists due to the imminent probable failure of Commercial, and that the proposed transaction will not result in a monopoly or be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any part of the United States, and that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons the Assuming Bank's application, as set forth in the agreement between Commercial and the Assuming Bank, is approved. The Comptroller further finds that the imminent probable failure of Commercial requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community. The Comptroller thus waives publication of notice, dispenses with the solicitation of competitive reports from other agencies, and waives approval of the transaction by shareholders owning two-thirds of Commercial's stock, pursuant to the provisions of 12 USC 181, and authorizes the transaction to be consummated immediately.

August 7, 1984

Due to the emergency nature of the situation, the Attorney General's report was not requested.

* * *

NCNB NATIONAL BANK OF FLORIDA,
Tampa, Fla., and Ellis Bank and Trust Company, National Association, Sarasota, Fla., and Ellis Fort Myers Bank, National Association, Fort Myers, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
NCNB National Bank of Florida, Tampa, Fla. (17775), with	$4,102,749,000	95	
and Ellis Bank and Trust Company, National Association, Sarasota, Fla. (18137), which had	465,270,000	1	
and Ellis Fort Myers Bank, National Association, Fort Myers, Fla. (18141), which had	34,534,000	1	
merged August 17, 1984, under charter and title of NCNB National Bank of Florida. The merged bank at date of merger had	4,602,553,000		97

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

The Summary of Report by Attorney General was not received at press time.

* * *

CITIBANK, NATIONAL ASSOCIATION, New York, N.Y., and Girod Trust Company, San Juan, Puerto Rico

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Girod Trust Company, San Juan, Puerto Rico, with	$ 405,685,000	2	
was purchased August 19, 1984, by Citibank, National Association, New York, N.Y., (1461), which had	115,471,000,000	292	
After the purchase was effected the receiving bank had			294

COMPTROLLER'S DECISION

On August 19, 1984, application was made to the Comptroller of the Currency to grant prior written approval for Citibank, National Association (Assuming Bank), to purchase certain assets and assume certain liabilities of Girod Trust Company, San Juan, Puerto Rico. The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Girod Trust Company. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

Girod Trust Company is a bank chartered by the Commonwealth of Puerto Rico and at the close of business on August 13, 1984, had total deposits of approximately $279 million and operated two branches. The bank was declared insolvent by the Secretary of the Treasury of the Commonwealth of Puerto Rico on August 16, 1984, and was placed in the hands of the FDIC as receiver. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and the Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Girod Trust Company.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the San Juan community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the San Juan community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Girod Trust Company, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Girod Trust Company requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

By accepting approval and by consummating the purchase and assumption transaction, Assuming Bank agrees to be bound by the following conditions:

1. An initial minimum ratio of primary capital to total assets of no less than five percent (5%). The amount of intangible assets which may be included in capital for purposes of this assessment is limited to not more than twenty five percent (25%) of tangible primary capital.

* [illegible]

2 Achieve within two (2) years and thereafter maintain a ratio of primary capital to total assets that complies with the Comptroller's minimum capital adequacy guidelines.

These conditions shall be deemed to be "conditions imposed in writing by the agency in connection with the granting of any application or other request within the meaning of 12 USC 1818(b)(1)

August 19, 1984

Due to the emergency nature of the situation, the Attorney General's report was not requested

* * *

MERCANTILE BANK OF NORTHWEST COUNTY, N.A., St. Louis County, Mo., and One Branch of Lewis & Clark Mercantile Bank, St. Louis County, Mo.

Names of banks and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
One Branch of Lewis & Clark Mercantile Bank, St. Louis County, Mo., with	$12,791,000	1	———
was purchased August 24, 1984, by Mercantile Bank of Northwest County, N.A., St. Louis County, Mo. (18359), which had	1,200,000	0	———
After the purchase was effected the receiving bank had	18,406,000	———	1

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

The Summary of Report by Attorney General was not received at press time.

* * *

SOCIETY NATIONAL BANK OF THE MIAMI VALLEY, Springfield, Ohio, and 11 Branches of The Society National Bank, Cleveland, Ohio

Names of banks and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
11 Branches of The Society National Bank, Cleveland, Ohio (14761), with	$117,704,000	11	———
were purchased August 27, 1984, by Society National Bank of the Miami Valley, Springfield, Ohio (2932), which had	196,796,000	6	———
After the purchase was effected, the receiving bank had	314,500,000	———	17
The resulting bank's title is "Society Bank, National Association."			

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued

The Summary of Report by Attorney General was not received at press time

* * *

FIRST INTERSTATE BANK OF OREGON, NATIONAL ASSOCIATION, Portland, Ore., and Bank of the Northwest, Eugene, Ore.

Name of bank and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Bank of the Northwest, Eugene, Ore., with	$ 21,780,000	1	
was purchased August 31, 1984, by First Interstate Bank of Oregon, National Association, Portland, Ore. (3728), which had	686,771,000	165	
After the purchase was effected the receiving bank had			166

COMPTROLLER'S DECISION

On August 31, 1984, application was made to the Comptroller of the Currency to grant prior written approval for First Interstate Bank of Oregon, National Association, Portland, Ore. (Assuming Bank), to purchase certain assets and assume certain liabilities of Bank of the Northwest, Eugene, Ore. (Northwest). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Northwest. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

Northwest was a state-chartered bank with total deposits of approximately $17 million. The bank was declared insolvent by the Commissioner of Banking of the State of Oregon on August 31, 1984, and was placed in the hands of the FDIC as receiver. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and the Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Northwest.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Eugene community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Northwest, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Northwest requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

Assuming Bank is also authorized to operate Northwest's former office as a branch.

August 31, 1984

Due to the emergency nature of the situation, the Attorney General's report was not requested.

* [illegible]

INDIAN HEAD NATIONAL BANK,

Nashua, N.H., and Indian Head National Bank of Claremont, Claremont, N.H., and Indian Head National Bank of Concord, Concord, N.H.

Names of banks and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
Indian Head National Bank of Claremont, Claremont, N.H. (4793), with	$ 25,394,000	1	
and Indian Head National Bank of Concord, Concord, N.H. (16175), which had	316,631,000	2	
and Indian Head National Bank, Nashua, N.H. (15563), which had	388,489,000	15	
merged August 31, 1984, under charter and title of the latter. The merged bank at date of merger had	450,515,000		17

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

The Summary of Report by Attorney General was not received at press time.

* * *

LINCOLN FIRST BANK, NATIONAL ASSOCIATION,

Rochester, N.Y., and Two Branches of The Rochester Community Savings Bank, Rochester, N.Y.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
Two Branches of The Rochester Community Savings Bank, Rochester, N.Y., with	$2,829,214,000	2	
were purchased August 31, 1984, by Lincoln First Bank, National Association, Rochester, N.Y. (15627), which had	323,169,000	135	
After the purchase was effected the receiving bank had			137

COMPTROLLER'S DECISION

On April 10, 1984, an application was filed with the Office of the Comptroller of the Currency by Lincoln First Bank, N.A., Rochester, N.Y. (Lincoln), to acquire two branch offices, located in Watertown, New York, of The Rochester Community Savings Bank, Rochester, N.Y. (Community). The application is based upon a written agreement executed by the proponents on February 23, 1984.

Lincoln is the principal subsidiary of Lincoln First Banks, Inc., a registered bank holding company. As of December 31, 1983, Lincoln held total deposits of $3.1 billion and operated 135 offices, primarily in upstate New York. As of the same date, Community's two Watertown branches to be acquired held total deposits of $198 million.

The proponents currently do not compete directly in the relevant geographic market and, therefore, consummation of the proposal will not have a significant effect on competition in the relevant geographic market. The relevant geographic market for this proposal is Jefferson County where the two Community branches derive the bulk of their deposits. Lincoln does not have any offices in Jefferson County and its closest office is approximately 30 miles distant. Accordingly, consummation of this proposal will merely substitute one competitor in the market for another.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory. The future prospects of the buying bank are considered favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low- and moderate-income neighborhoods, are less than satisfactory.

* Asset figures are from whole bank as of the June 30, 1984, report of condition. Information as of date of consummation was not available at press time.

We have reviewed this proposal pursuant to the Bank Merger Act (12 USC 1828(c)) and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

June 22, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

ATLANTIC NATIONAL BANK OF FLORIDA, Jacksonville, Fla., and Atlantic National Bank of Florida at Orange Park, Orange Park, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Atlantic National Bank of Florida, Jacksonville, Fla. (6888), with	$3,322,256,000	108	
and Atlantic National Bank of Florida at Orange Park, Orange Park, Fla. (17812), which had	7,006,000	1	
merged September 1, 1984, under charter and title of the former. The merged bank at date of merger had	3,329,262,000		109

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

The Summary of Report by Attorney was not received at press time.

* * *

THE CITIZENS AND SOUTHERN NATIONAL BANK, Savannah, Ga., and The Citizens and Southern Bank of Effingham County, Springfield, Ga.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Citizens and Southern Bank of Effingham County, Springfield, Ga., with	$ 49,658,000	2	
and The Citizens and Southern National Bank, Savannah, Ga. (13068), which had	6,775,316,000	169	
merged September 1, 1984, under charter and title of the latter. The merged bank at date of merger had			171

COMPTROLLER'S DECISION

On May 4, 1984, application was made to the Office of the Comptroller of the Currency for prior authorization to merge The Citizens and Southern Bank of Effingham County, Springfield, Ga. (Effingham), into The Citizens and Southern National Bank, Savannah, Ga. (CSNB). This application is based on an agreement finalized between Effingham and CSNB on April 17, 1984.

As of December 31, [illegible], Effingham had total deposits of $[illegible] million and operated its two offices in Effingham County. On the same date CSNB had total deposits of $3.8 billion and operated 169 banking offices throughout Georgia.

[illegible]

The relevant geographic market for this proposal is Effingham County, the area in which Effingham operates its offices and derives over 75 percent of its deposits. CSNB does not operate any offices in the relevant market and derives a nominal volume of business from the area. Therefore, consummation of this proposal will merely replace one competitor in the market with another and will not have a significantly adverse effect on competition.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served."

The financial and managerial resources of both banks are considered satisfactory. The future prospects of the proponent banks, independently and in combination, are favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

July 26, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FIRST NATIONAL BANK,
Orangeburg, S.C., and Two Branches of First National Bank of South Carolina, Columbia, S.C.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
Two Branches of First National Bank of South Carolina, Columbia, S.C. (13729), with	$1,641,755,000	2	
were purchased September 1, 1984, by First National Bank, Orangeburg, S.C. (13918), which had	144,285,000	13	
After the purchase was effected the receiving bank had			15

COMPTROLLER'S DECISION

On April 16, 1984, application was made to the Office of the Comptroller of the Currency for prior authorization for First National Bank, Orangeburg, S.C. (FNB), to purchase the assets and assume the liabilities of two branches of First National Bank of South Carolina, Columbia, S.C. (First National). This application is based on an agreement finalized between FNB and First National on February 24, 1984.

As of December 31, 1983, the two First National branches had total deposits of $20 million. On the same date, FNB had total deposits of $118 million.

The relevant geographic market for this proposal is Bamberg County, the area from which the First National branches derive over 75 percent of their deposits. FNB does not operate any offices and generates only a nominal volume of business in the relevant market. Its nearest office to the First National offices is 15 miles distant. Consequently, consummation of this proposal will merely replace one competitor in the relevant market with another and will not have a significantly adverse effect on competition.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served."

The financial and managerial resources of both banks are considered satisfactory. The future prospects of the proponents, individually and combined, are considered favorable as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not

* Asset figures are of whole bank as of the June 30, 1984, report of condition. Information as of date of consummation was not available at press time.

significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.
June 7, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE FIRST NATIONAL BANK OF DOWNSVILLE,
Downsville, N.Y., and One Branch of Deak National Bank, Fleischmanns, N.Y.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
One Branch of Deak National Bank, Fleischmanns, N.Y., with	$41,533,000	1	
was purchased September 1, 1984, by The First National Bank of Downsville, Downsville, N.Y. (7878), which had	13,056,000	1	
After the purchase was effected the receiving bank had			2

COMPTROLLER'S DECISION

An application was filed on April 10, 1984, with the Office of the Comptroller of the Currency by The First National Bank of Downsville, Downsville, N.Y. (FNB), to acquire the Delhi branch office of Deak National Bank, Fleischmanns, N.Y. (Deak). The application is based upon a written agreement executed by the banks on February 3, 1984.

As of December 31, 1983, FNB, an independent unit bank, held total deposits of $11 million. As of the same date, the Delhi office of Deak held total deposits of $3 million.

The proponents do not compete directly in the relevant geographic market and therefore consummation of the proposal will not have a significant effect on competition in the relevant geographic market. FNB's sole office and the Delhi branch office are approximately 15 miles distant. Accordingly, consummation of this proposal will merely substitute one competitor in the market for another.

The Bank Merger Act requires this Office to consider "the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory. The future prospects of the buying bank are considered favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.
June 22, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

* Asset figure is of the whole bank as of the June 30, 1984 report of condition. Information as of date of consummation was not available.

FIRST TENNESSEE BANK NATIONAL ASSOCIATION MEMPHIS,
Memphis, Tenn., and First Tennessee Bank, Maryville, Tenn., and Jefferson County Bank, Dandridge, Tenn

Names of banks and type of transaction	Total assets*	Banking offices In operation	Banking offices To be operated
First Tennessee Bank, Maryville, Tenn., with	$ 216,632,000	8	
Jefferson County Bank, Dandridge, Tenn., with	41,446,000	3	
and First Tennessee Bank National Association Memphis, Memphis, Tenn. (336), which had	3,427,509,000	79	
merged September 1, 1984, under charter and title of the latter. The merged bank at date of merger had			90

The Comptroller's Decision and the Summary of Report by Attorney General can be found on p 99

* Asset figures are from the June 30, 1984, report of condition Information as of date of consummation was not available at press time

* * *

THE MICHIGAN NATIONAL BANK-DEARBORN,
Dearborn, Mich., and Michigan National Bank-South Metro, Lincoln Park, Mich.

Names of banks and type of transaction	Total assets	Banking offices In operation	Banking offices To be operated
The Michigan National Bank-Dearborn, Dearborn, Mich. (16157), with	$199,481,000	12	
and Michigan National Bank-South Metro, Lincoln Park, Mich. (16974), which had	38,878,000	4	
merged September 1, 1984 under the charter and title of the latter. The merged bank at date of merger had	238,359,000		16

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

The Summary of Report by Attorney General was not received at press time.

* * *

THE MICHIGAN NATIONAL BANK-GROSSE POINTES,
Grosse Pointe Woods, Mich., and Michigan National Bank of Detroit, Detroit, Mich.

Names of banks and type of transaction	Total assets	Banking offices In operation	Banking offices To be operated
The Michigan National Bank-Grosse Pointes, Grosse Pointe Woods, Mich. (16970), with	$ 19,645,000	1	
and Michigan National Bank of Detroit, Detroit, Mich. (14948) which had	1,713,136,000	44	
merged September 1, 1984 under charter and title of the latter. The merged bank at date of merger had	1,732,781,000		45

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued

The Summary of Report by Attorney General was not received at press time

* * *

NORWEST BANK VIRGINIA,
Virginia, Minn., and Norwest Bank Eveleth, N.A., Eveleth, Minn.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Norwest Bank Eveleth, N.A., Eveleth, Minn. (14536), with	$ 45,305,000	1	
and Norwest Bank Virginia, Virginia, Minn., which had	85,484,000	1	
consolidated September 1, 1984, under charter of the former and title "Norwest Bank Mesabi, N.A." The consolidated bank at date of consolidation had	130,694,000		2

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

The Summary of Report by Attorney General was not received at press time.

* * *

REPUBLIC NATIONAL BANK,
Columbia, S.C., and Two Branches of The South Carolina National Bank, Charleston, S.C., and One Branch of First National Bank of South Carolina, Columbia, S.C.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Two Branches of The South Carolina National Bank, Charleston, S.C. (2044), with	$ 214,696,000	2	
and One Branch of First National Bank of South Carolina, Columbia, S.C. (13720), with	1,641,755,000	1	
were purchased September 1, 1984, by Republic National Bank, Columbia, S.C. (16474), which had	24,403,000	3	
After the purchase was effected the receiving bank had			6

COMPTROLLER'S DECISION

An application was filed on April 20, 1984, with the Office of the Comptroller of the Currency, by Republic National Bank, Columbia, S.C. (RNB), for approval to purchase the assets and assume the liabilities of two branches of The South Carolina National Bank, Charleston, S.C. (SCNB) and one branch of First National Bank of South Carolina, Columbia, S.C. (FNB). This application is based on an agreement finalized between the proponents on February 29, 1984.

As of December 31, 1984, the branches to be acquired had total deposits of approximately $19 million. On the same date, RNB had total deposits of $23 million and operated three offices in Richland County.

The relevant geographic market for this proposal is Richland County, the area where all the branches being acquired are located and where the proponents compete directly. Currently, RNB controls less than 2 percent of commercial bank deposits and the acquisition will only increase its market share to 3 percent. Consequently, the proposed transaction will not significantly increase concentration or lessen competition in the relevant market.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of the banks is considered satisfactory. The future prospects of the proponents, individually and combined, are considered favorable as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not

* [illegible]

significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved, subject to the condition noted in a separate communication to RNB.
June 12, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

SUN BANK/SUNCOAST, NATIONAL ASSOCIATION, St. Petersburg, Fla., and Flagship Bank of Pinellas, N.A., St. Petersburg, Fla.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
Flagship Bank of Pinellas, N.A., St. Petersburg, Fla. (15281), with	$164,805,000	8	
and Sun Bank/Suncoast, National Association, St. Petersburg, Fla. (18012), which had	368,734,000	12	
merged September 1, 1984, under charter and title of the latter. The merged bank at date of merger had			20

COMPTROLLER'S DECISION

Sun Bank/Suncoast, National Association and Flagship Bank of Pinellas, N.A., are majority owned and controlled by Sun Banks, Inc., Orlando, Fla., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.
May 25, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

* Asset figures are from the June 30, 1984, report of condition. Information as of date of consummation was not available at press time.

FIRST NATIONAL BANK OF OMAHA
Omaha, Neb., and David City Bank, David City, Neb.

Name of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
David City Bank, David City, Neb., with	$ 21,321,000	1	
was purchased September 6, 1984, by First National Bank of Omaha, Omaha, Neb. (209), which had	556,435,000	3	
After the purchase was effected the receiving bank had			4

COMPTROLLER'S DECISION

On September 6, 1984, application was made to the Comptroller of the Currency to grant prior written approval for First National Bank of Omaha, Omaha, Neb. (Assuming Bank), to purchase certain assets and assume certain liabilities of David City Bank, David City, Neb. The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of David City Bank. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

David City Bank is a state-chartered bank and at the close of business on September 6, 1984, had total deposits of approximately $18 million. The bank was declared insolvent by the Commissioner of Banking of the State of Nebraska on September 6, 1984, and was placed in the hands of the FDIC as receiver. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and the Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of David City Bank.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the David City community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the David City community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of David City Bank requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community, and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

By accepting approval and by consummating the purchase and assumption transaction, Assuming Bank agrees to be bound by the following conditions:

1. An initial minimum ratio of primary capital to total assets of no less than five percent (5%). The amount of intangible assets which may be included in capital for purposes of this assessment is limited to not more than twenty five percent (25%) of tangible primary capital.

[illegible]

2. Achieve within two (2) years and thereafter maintain a ratio of primary capital to total assets that complies with the Comptroller's minimum capital adequacy guidelines.

These conditions shall be deemed to be "conditions imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 USC 1818(b)(1).

September 6, 1984

Due to the emergency nature of the situation, the Attorney General's report was not requested.

* * *

FIDELITY BANK,
Rosemont, Pa., and Southeast National Bank of Pennsylvania, Malvern, Pa.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Fidelity Bank, Rosemont, Pa., with	$4,628,117,000	73	
and Southeast National Bank of Pennsylvania, Malvern, Pa. (355), which had	934,876,000	35	
merged September 10, 1984, under charter of the latter and title of "Fidelity Bank, National Association." The merged bank at date of merger had	5,521,705,000		110

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

The Summary of Report by Attorney General was not received at press time.

* * *

TRANS NATIONAL BANK,
Monterey Park, Calif., and One Branch of Lloyds Bank California, Los Angeles, Calif.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
One Branch of Lloyds Bank California, Los Angeles, Calif., with	$2,721,834,000	1	
was purchased September 11, 1984, by Trans National Bank, Monterey Park, Calif. (15506), which had	130,418,000	2	
After the purchase was effected the receiving bank had			3

COMPTROLLER'S DECISION

On March 15, 1984, application was made to the Office of the Comptroller of the Currency by Trans National Bank, Monterey Park, Calif. (Trans National), to purchase the assets and assume the liabilities of the Park Presidio Branch of Lloyds Bank of California, Los Angeles, Calif. (Lloyds Bank). The application is based upon an agreement finalized between the two banks on October 5, 1983.

Trans National was chartered on April 26, 1965 and operates a main office and branch system in Los Angeles County, Calif. As of September 30, 1983, Trans National had approximately $99 million in total deposits and $112 million in total assets. Trans National was formerly known as Trans American National Bank. Lloyds Bank, headquartered in Los Angeles, operates a branch banking network throughout California. As of September 30, 1983, Lloyds Bank had approximately $2,160 million in total deposits and $2,529 million in total assets.

* Asset figures are of the whole bank from the June 30, 1984, report of condition. Information as of date of consummation was not available at press time.

The main office and all branches of Trans National are located in Los Angeles County, Calif. The Park Presidio Branch of Lloyds Bank is located in San Francisco. The markets served by Trans National and the Park Presidio Branch of Lloyds Bank are separate and distinct. Accordingly, the proposed transaction does not raise any competitive issues, and consummation of the transaction will not be significantly adverse to competition.

The Bank Merger Act requires this Office to consider . . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served. The future prospects of the resulting bank appear favorable as does its ability to further enhance its competitiveness in the market and serve the convenience and needs of its customers.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the banks' records of helping to meet the credit needs of their entire communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not lessen competition in the relevant market. Other factors considered in evaluating the proposal are satisfactory. Accordingly, the application is approved.

June 26, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

CONEJO VALLEY NATIONAL BANK,
Thousand Oaks, Calif., and The Village Bank, National Association, Westlake Village, Calif.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Village Bank, National Association, Westlake Village, Calif. (16923), with	$17,758,000	1	
and Conejo Valley National Bank, Thousand Oaks, Calif. (17582), which had	25,008,000	2	
merged September 11, 1984, under charter and title of the latter. The merged bank at date of merger had			3

COMPTROLLER'S DECISION

On June 18, 1984, application was made to the Office of the Comptroller of the Currency for prior authorization to merge The Village Bank, National Association, Westlake Village, Calif. (Village Bank), into Conejo Valley National Bank, Thousand Oaks, Calif. (CVNB). This application is based on an agreement finalized between Village Bank and CVNB on December 22, 1983.

As of March 31, 1984, Village Bank had total deposits of $15 million and operated its only office in Westlake Village, Ventura County. On the same date CVNB, also a unit bank, had total deposits of $16 million. On July 13, 1984, CVNB received approval to purchase the assets and assume the liabilities of one branch of Lloyds Bank California, Los Angeles, Calif. The branch is located in Camarillo, Calif.

The relevant geographic market for this proposal is the City of Westlake Village, the area from which Village Bank derives over 75 percent of its deposits. There are eight commercial banks serving the relevant market, with total deposits of $224 million. Village Bank ranks fourth in deposit market share with 9 percent. CVNB does not operate any offices and generates only a nominal volume of its deposits in the relevant market. Consequently, the proponents do not compete directly and consummation of this proposal will have no significant effect on competition in the relevant market.

The Bank Merger Act requires this Office to consider . . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served. The financial and managerial resources of

CVNB are considered satisfactory and its future prospects are favorable. However, because of excessive loan losses experienced by Village Bank, its present condition and future prospects as an independent institution are not favorable. The future prospects for the resulting bank, are favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.
August 7, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have significantly adverse effect on competition.

* * *

FIRST EASTERN BANK, NATIONAL ASSOCIATION, Wilkes-Barre, Pa., and Scranton National Bank, Scranton, Pa.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
Scranton National Bank, Scranton, Pa. (13947), with	$ 122,232,000	2	
and First Eastern Bank, National Association, Wilkes-Barre, Pa. (30), which had	1,034,914,000	33	
merged September 15, 1984, under charter and title of the latter. The merged bank at date of merger had			35

COMPTROLLER'S DECISION

On April 30, 1984, application was made to the Office of the Comptroller of the Currency for prior authorization to merge Scranton National Bank, Scranton, Pa. (SNB), into First Eastern Bank, National Association, Wilkes-Barre, Pa. (First). This application is based on an agreement finalized between the proponents of February 9, 1984.

As of December 31, 1983, First held total deposits of $844 million and operated 33 offices in the Scranton/Wilkes-Barre Metropolitan Statistical Area. As of the same date, SNB held total deposits of $114 million and operated two offices in Scranton and one office in Clarks Summit.

The relevant geographic market for this proposal is Scranton and the surrounding municipalities. All three of SNB's offices are located in this market. There are 14 commercial banks in the relevant market, SNB is the fourth-largest with an 8.3 percent market share and First is the ninth-largest with a 3.5 percent share. The resulting bank will assume SNB's position as the fourth largest competitor in the market. Although consummation of this proposal would eliminate some existing competition between the two banks and reduce the number of competitors in the relevant market by one, ample banking alternatives would still remain in this competitive and moderately concentrated market. Therefore, under these circumstances, this Office finds that the proposed merger would not have an adverse effect on competition.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." We find the financial and managerial resources of Eastern and SNB to be satisfactory. The future prospects of the proponents, individually and combined, are considered favorable although the larger resulting bank is expected to provide a wider range of banking services.

A review of the record of this application and other information available to this Office as a result of its

* Asset figures are from the June 30, 1984, report of condition. Information as of date of consummation was not available at press time.

regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate-income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act (12 USC 1828(c)) and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

August 15, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FIRST NATIONAL BANK OF THE SOUTH, Ocean Springs, Miss., and One Branch of First Mississippi National Bank, Hattiesburg, Miss.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
One Branch of First Mississippi National Bank, Hattiesburg, Miss. (5176), with	$364,483,000	1	
was purchased September 17, 1984, by First National Bank of the South, Ocean Springs, Miss. (15672), which had	84,176,000	4	
After the purchase was effected the receiving bank had			5

COMPTROLLER'S DECISION

On June 26, 1984, an application was filed with the Office of the Comptroller of the Currency by First National Bank of the South, Ocean Springs, Miss. (First) to purchase the assets and assume the liabilities of the Gautier branch office of First Mississippi National Bank, Hattiesburg, Miss. (FMNB). The application is based upon an agreement executed by the proponents on February 9, 1984.

As of December 31, 1983, First had total deposits of $71 million and operated two offices in Jackson County and two offices in Harrison County. First is controlled by The South First National Corporation, a one-bank holding company.

As of the same date, the Gautier office of FMNB held total deposits of $3 million.

The relevant geographic market for this proposal is the southeastern corner of Jackson County where FMNB's Gautier office derives the bulk of its deposits. First operates one office in this market and is the third largest of the six commercial banks operating in the market. The Gautier office is the fifth largest with less than a 2 percent market share. After consummation, First will remain the third largest commercial bank with a 17 percent market share. Although not included in the above numbers, there are also five savings and loan associations in the market holding more than 40 percent of total financial institution deposits in the market. In light of the market share of the acquiring bank, the nominal volume of deposits being acquired and the number of alternative financial institutions in the market, consummation of the proposed acquisition would not have a significantly adverse effect on competition in the relevant geographic market.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future propsects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of First is satisfactory. However, the present condition of FMNB is less than satisfactory. The future prospects of the buying bank are considered favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate-income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

July 27, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

NATIONAL BANK OF LA JOLLA, La Jolla, Calif., and Two Branches of Barclays Bank of California, San Francisco, Calif.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
Two Branches of Barclays Bank of California, San Francisco, Calif., with	$869,829,000	2	
were purchased September 17, 1984, by National Bank of La Jolla, La Jolla, Calif. (17119), which had	59,512,000	2	
After the purchase was effected, the receiving bank had			4

COMPTROLLER'S DECISION

On January 30, 1984, application was made to the Office of the Comptroller of the Currency by National Bank of La Jolla, La Jolla, Calif. (National Bank), to purchase the assets and assume the liabilities of the Downtown San Diego and Kearny Mesa Branches of Barclays Bank of California, Los Angeles, Calif. (Barclays Bank). The application is based upon an agreement finalized between the two banks on December 8, 1983, and amended June 8, 1984.

National Bank was chartered on July 20, 1981. The bank operates a main office in La Jolla and a branch office in Mission Valley. As of September 30, 1983, National Bank had approximately $42 million in total deposits and $47 million in total assets. Barclays Bank, headquartered in Los Angeles, operates a branch banking network throughout California. As of September 30, 1983, Barclays Bank had approximately $747 million in total deposits and $863 million in total assets. Barclays Bank recently entered into a branch reconfiguration program in order to strengthen its market position.

National Bank serves the community of La Jolla and the Mission Valley area of San Diego. The Downtown San Diego and Kearny Mesa Branches of Barclays Bank serve the downtown and Kearny Mesa sections of San Diego, respectively. The areas served by the two branches represent the relevant geographic market for the proposal. A review of the markets served by National Bank and the Downtown San Diego and Kearny Mesa Branches of Barclays Bank reveals that they are separate and distinct. Accordingly, consummation of the proposal will not be significantly adverse to competition.

As part of this proposal Barclays Bank's downtown office will be closed and not operated as a branch of National Bank. While one less banking location will exist, the downtown area of San Diego will continue to be served by numerous financial institutions and competition will not be impacted adversely.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The future prospects of the resulting bank appear favorable as does its ability to further enhance its competitiveness in the market and serve the convenience and needs of its customers.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the banks' records of helping to meet the credit needs of their entire communities, including low- and moderate-income neighborhoods, are less than satisfactory.

* Asset figures are of whole bank from the June 30, 1984 report of condition. Information as of the date of consummation was not available at press time.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not lessen competition in the relevant market. Other factors considered in evaluating the proposal are satisfactory. Accordingly, the application is approved.

July 13, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE FIRST NATIONAL BANK AND TRUST COMPANY OF ENID, Enid, Okla., and Community Bank and Trust Company of Enid, Enid, Okla.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Community Bank and Trust Company of Enid, Enid, Okla.	$ 32,236,000	1	
was purchased September 19, 1984, by The First National Bank and Trust Company of Enid, Enid, Okla. (9586), which had	150,654,000	1	
After the purchase was effected the receiving bank had			2

COMPTROLLER'S DECISION

On September 15, 1984, application was made to the Comptroller of the Currency to grant prior written approval for The First National Bank and Trust Company of Enid, Enid, Okla. (Assuming Bank), to purchase certain assets and assume certain liabilities of Community Bank and Trust Company of Enid, Enid, Okla. (Community). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Community. For reasons set forth below, the application is hereby approved and Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

Community was a state-chartered bank with total deposits of approximately $24 million as of September 14, 1984. The bank was declared insolvent by the Oklahoma State Bank Commissioner on September 14, 1984, and was placed in the hands of the FDIC as receiver. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Community.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediatley in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Enid, Oklahoma community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Enid, Oklahoma community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly out-

weighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, Assuming Bank's application to purchase certain assets and assume certain liabilities of Community, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Community requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the Enid, Oklahoma community. The Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

Assuming Bank is also authorized to operate Community's former head office as a branch.
September 15, 1984

Due to the emergency nature of the situation, the Attorney General's report was not requested.

* * *

THE NATIONAL BANK OF NELIGH,
Neligh, Neb., and Bank of Verdigre and Trust Company, Verdigre, Neb.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
Bank of Verdigre and Trust Company, Verdigre, Neb., with	$13,356,000	1	
was purchased September 19, 1984, by The National Bank of Neligh, Neligh, Neb. (13568), which had	41,691,000	3	
After the purchase was effected the receiving bank had			4

COMPTROLLER'S DECISION

On September 19, 1984, application was made to the Comptroller of the Currency to grant prior written approval for The National Bank of Neligh, Neligh, Neb. (Assuming Bank), to purchase certain assets and assume certain liabilities of Bank of Verdigre and Trust Company, Verdigre, Neb. (Verdigre). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Verdigre. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

At the close of business on August 31, 1984, Verdigre had total assets of approximately $14 million. The bank was closed by the Nebraska State Banking Commissioner on September 19, 1984, and was placed in the hands of the FDIC as receiver. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and the Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Verdigre.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the [illegible]

* Asset figures are from the June 30, 1984, report of condition. Information as of date of consummation was not available at press time.

[illegible] Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Verdigre community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Verdigre, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Verdigre requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community, and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

September 19, 1984

Due to the emergency nature of the situation, the Attorney General's report was not requested.

* * *

BARNETT BANK OF JACKSONVILLE, NATIONAL ASSOCIATION, Jacksonville, Fla., and Century National Bank, Jacksonville, Fla.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
Century National Bank, Jacksonville, Fla. (16616), with	$ 13,207,000	2	
was purchased September 20, 1984, by Barnett Bank of Jacksonville, National Association, Jacksonville, Fla. (9049), which had	983,919,000	19	
After the purchase was effected the receiving bank had			21

COMPTROLLER'S DECISION

On September 20, 1984, application was made to the Comptroller of the Currency to grant prior written approval for Barnett Bank of Jacksonville, National Association, Jacksonville, Fla. (Assuming Bank), to purchase certain assets and assume certain liabilities of Century National Bank, Jacksonville, Fla. (Century). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Century. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

Century was chartered as a national bank on November 12, 1976, and at the close of business on September [illegible], 1984, had total assets of approximately $14 million. The bank was declared insolvent by the Comptroller of the Currency on September 20, 1984, and was placed in the hands of the FDIC as receiver. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and the Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Century.

[illegible]

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Depart-

ment of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Jacksonville community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Jacksonville community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Century, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Century requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

September 20, 1984

Due to the emergency nature of the situation, the Attorney General's report was not requested.

* * *

NCNB NATIONAL BANK OF FLORIDA,
Tampa, Fla., and Ellis First National Bank of Bradenton, Bradenton, Fla., and NCNB National Bank of Florida, DeBary, Fla.

Names of banks and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
NCNB National Bank of Florida, Tampa, Fla. (17775), with	$4,478,722,000	97	
Ellis First National Bank of Bradenton, Bradenton, Fla. (10245), which had	204,592,000	4	
and NCNB National Bank of Florida, DeBary, Fla. (15348), which had	96,418,000	11	
merged September 20, 1984, under charter and title of the former. The merged bank at date of merger had	4,779,732,000		112

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

The Summary of Report by Attorney General was not received at press time.

* * *

COMMONWEALTH BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, Williamsport, Pa., and Lewisburg Trust Bank, Lewisburg, Pa.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Lewisburg Trust Bank, Lewisburg, Pa., with	$ 52,041,000	2	
and Commonwealth Bank and Trust Company, National Association, Williamsport, Pa. (175), which had	532,695,000	27	
merged September 21, 1984, under charter and title of the latter. The merged bank at date of merger had			29

COMPTROLLER'S DECISION

On June 5, 1984, application was made to the Office of the Comptroller of the Currency for prior authorization to merge Lewisburg Trust Bank, Lewisburg, Pa. (LTB), into Commonwealth Bank and Trust Company, National Association, Williamsport, Pa. (Commonwealth). This application is based on an agreement finalized between the proponents on January 12, 1984.

As of December 31, 1984, Commonwealth had total deposits of $452 million and operated 27 offices in seven counties in north-central Pennsylvania. Commonwealth is a wholly owned subsidiary of Commonwealth Bancshares Corporation, a one-bank holding company.

As of the same date, LTB, an independent bank, had total deposits of $44 million and operated two offices in Lewisburg, Union County, and one office in Montandon, Northumberland County.

The proponents do not compete directly in the relevant geographic market and therefore consummation of the proposal will not have a significant effect on competition in the relevant market. The relevant geographic market for this proposal is Union County and the Northumberland County municipalities of Montandon, Milton, Chillisquaque and Pottsgrove. Commonwealth does not operate any offices in this market and its closest office is 10 miles distant. Accordingly, consummation of this transaction will merely substitute one competitor in the market for another.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." We find the financial and managerial resources of Commonwealth and LTB to be satisfactory. The future prospects of the proponents, individually and combined, are considered favorable although the larger resulting bank is expected to provide a wider range of banking services.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

August 7, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

* Based on asset figures from the June 30, 1984, report of condition; statement as of date of consummation was not available at press time.

THE FIRST NATIONAL MERCANTILE BANK OF MONETT,
Monett, Mo., and Mercantile Bank of Wheaton, Wheaton, Mo.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Mercantile Bank of Wheaton, Wheaton, Mo., with	$12,405,000	1	
and The First National Mercantile Bank of Monett, Monett, Mo. (5973), which had	41,604,000	1	
merged September 21, 1984, under charter and title of the latter. The merged bank at date of merger had	54,009,000		2

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

The Summary of Report by Attorney General was not received at press time.

* * *

FIRST NATIONAL BANK & TRUST COMPANY OF FREMONT,
Fremont, Neb., and First Savings Company of Fremont, Fremont, Neb.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
First Savings Company of Fremont, Fremont, Neb., with	$ 4,538,000	1	
and First National Bank & Trust Company of Fremont, Fremont, Neb. (13408), which had	97,852,000	2	
merged September 23, 1984, under charter and title of the latter. The merged bank at date of merger had			3

COMPTROLLER'S DECISION

On June 5, 1984, application was made to the Office of the Comptroller of the Currency for prior authorization to merge First Savings Company of Fremont, Fremont, Neb. (First Savings), into First National Bank and Trust Company of Fremont, Fremont, Neb. (FNB). This application is based on an agreement finalized between First Savings and FNB on March 15, 1984.

On March 31, 1984, First Savings had total deposits of $4 million and operated its only office in Fremont. On the same date FNB, a subsidiary of Fremont Bancshares, Inc., had total deposits of $85 million. Fremont Bancshares, Inc. is affiliated with Fremont State Bancshares, which has a controlling interest in First State Bank, Fremont, Neb., through common ownership.

The relevant geographic market for this proposal is the City of Fremont and its environs. It is from this area that First Savings derives over 75 percent of its deposits.

First Savings does not engage in commercial lending and is not a competitor with FNB for this segment of the market. However, FNB and First Savings are direct competitors for the consumer banking business in Fremont. Currently there are 12 commercial banks and thrift institutions providing consumer banking services. FNB and its affiliate have a combined deposit market share of 27 percent, while First Savings controls less than 1 percent. Based on First Savings' minimal market share and the number of available banking alternatives, consummation of this proposal would not have a significantly adverse effect on competition in the relevant market.

The Bank Merger Act required this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both institutions and their future prospects, independently and in combination, are not such that denial of this application is warranted.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit

* Asset figures are from the June 30, 1984, report of condition. Information as of date of consummation was not available at press time.

needs of their communities, including low- and moderate-income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

August 21, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

CONEJO VALLEY NATIONAL BANK,
Thousand Oaks, Calif., and One Branch of Lloyds Bank California, Camarillo, Calif.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
One Branch of Lloyds Bank California, Camarillo, Calif., with	$2,721,834,000	1	
was purchased September 24, 1984, by Conejo Valley National Bank, Thousand Oaks, Calif. (17582), which had	25,008,000	1	
After the purchase was effected the receiving bank had			2

COMPTROLLER'S DECISION

On April 30, 1984, application was made to the Office of the Comptroller of the Currency by Conejo Valley National Bank, Thousand Oaks, Calif. (Conejo Valley) to purchase the assets and assume the liabilities of the Camarillo branch of Lloyds Bank California, Camarillo, Calif. (Lloyds Bank). The application is based upon an agreement finalized between the two banks on January 10, 1984.

Conejo Valley was chartered in April 1982 and began business on January 17, 1983. Presently, the bank has an office in Thousand Oaks, Calif. As of December 31, 1983, Conejo Valley had approximately $17 million in total deposits and $20 million in total assets.

Lloyds Bank, headquartered in Los Angeles, operates a [illegible] banking network throughout California. As of December 31, 1983, Lloyds Bank had $2.2 billion in total deposits and $[illegible] billion in total assets.

[illegible]

The relevant geographic market for this proposal is the City of Camarillo, where the Camarillo branch derives the bulk of its deposits. The eight commercial banks serving the market reported total deposits of $185 million as of June 30, 1983 and Camarillo ranked seventh with a 4 percent deposit market share. Conejo Valley serves the communities of greater Conejo Valley which include, Agoura, Newberry Park, Thousand Oaks and Westlake. Conejo Valley and the Camarillo branch are separated by a distance of approximately 17 miles. Inasmuch as Conejo Valley does not have any offices in the relevant market, consummation of the proposed acquisition will merely substitute one competitor in the market for another and will not be significantly adverse to competition.

The Bank Merger Act requires this Office to consider . . . the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. . . . The future prospects of the resulting bank appear favorable as does its ability to further enhance its competitiveness in the market and serve the needs of its customers.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' record of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, is less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

July 13, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

WASHINGTON COUNTY NATIONAL SAVINGS BANK OF WILLIAMSPORT, Williamsport, Md., and One Branch of Maryland National Bank, Baltimore, Md.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
One Branch of Maryland National Bank, Baltimore, Md. (13745), with	$5,406,779,000	1	
was purchased September 24, 1984, by Washington County National Savings Bank of Williamsport, Williamsport, Md. (1551), which had	34,964,000	3	
After the purchase was effected the receiving bank had			4

COMPTROLLER'S DECISION

On June 11, 1984, an application was filed with the Office of the Comptroller of the Currency by Washington County National Savings Bank of Williamsport, Mayland, Williamsport, Md. (WCNSB), to purchase the assets and assume the liabilities of the Clear Springs branch office of Maryland National Bank, Baltimore, Md. (MNB). The application is based upon an agreement executed by the proponents on May 29, 1984.

As of December 31, 1984, WCNSB, an independent bank, had total deposits of $30 million and operated three offices in central Washington County. As of the same date, the Clear Springs branch office, located in Washington County, had total deposits of $6 million.

The relevant geographic market for this proposal is Washington County where both WCNSB and the Clear Springs branch office operate and derive the bulk of their deposits. Within the market there are seven commercial banks holding total deposits of $502 million. WCNSB is presently the fifth largest bank in the market with a 6 percent market share. After consummation, it will remain the fifth largest bank with its market share increasing to 7 percent. The number of competitors in the market will not change inasmuch as MNB will continue to operate three offices in the market. In light of the market share of the acquiring bank and the number of alternative financial institutions in the market, consummation of the proposed acquisition would not have a significantly adverse effect on competititon in the Washington County market.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and the needs of the community to be served." The financial and managerial resources of both banks are satisfactory. The future prospects of the buying bank are considered favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not

* Asset figures are of whole bank as of the June 30, 1984, report of condition. Information as of date of consummation was not available at press time.

Significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

August 7, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

MIDLANTIC NATIONAL BANK/NORTH,
West Paterson, N.J., and Midlantic National Bank/Citizens, Tenafly, N.J.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Midlantic National Bank/Citizens, Tenafly, N.J. (4365), with	$ 651,694,000	20	
and Midlantic National Bank/North, West Paterson, N.J. (15709), which had	1,261,508,000	38	
merged September 28, 1984, under charter and title of the latter. The merged bank at date of merger had	1,913,202,000		58

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

The Summary of Report by Attorney General was not received at press time.

* * *

FIRST NATIONAL BANK OF JACKSON,
Jackson, Miss., and State Guaranty Bank, Magee, Miss., and Merchants and Planters Bank, Hazlehurst, Miss.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
State Guaranty Bank, Magee, Miss., with	$ 45,085,000	2	
and Merchants and Planters Bank, Hazlehurst, Miss., with	48,995,000	3	
and First National Bank of Jackson, Jackson, Miss. (10523), which had	1,723,084,000	12	
merged September 29, 1984, under charter and title of the latter. The merged bank at date of merger had			17

COMPTROLLER'S DECISION

On May 7, 1984, application was made to the Office of the Comptroller of the Currency to merge Merchants and Planters Bank, Hazlehurst, Miss. (Merchants Bank), and State Guaranty Bank, Magee, Miss. (Guaranty Bank), into First National Bank of Jackson, Jackson, Miss. (FNB), under the charter and title of the latter. The application is based upon an agreement finalized between the three banks on April 10, 1984.

FNB, headquartered in Jackson, Miss., operates a branch banking system throughout 11 Mississippi counties. As of March 31, 1984, FNB had approximately $1,778 million in total assets and $1,452 in total deposits. Merchants Bank operates a main office in Hazlehurst and branch offices in the neighboring towns of Georgetown and Wesson. As of March 31, 1984, Merchants Bank had approximately $49 million in total assets and $44 million in total deposits. Guar-

* [illegible]

anty Bank operates a main office and branch facility in Magee. As of the same date, Guaranty Bank had approximately $45 million in total assets and $40 million in total deposits.

FNB serves numerous urban and rural communities in Mississippi. The largest concentration of banking offices is in the Jackson area where FNB's main office and branch network serve the Jackson metropolitan area consisting of Hinds, Rankin, and Madison counties. North of Jackson, FNB serves the counties of Washington and LeFlore, and to the south, FNB serves the counties of Lamar, Marion, Walthall, Pike, and Amite. In total, FNB's service area consists of four separate geographical areas within a 100-mile radius of Jackson.

Merchants Bank's service area consists of the towns of Hazlehurst, Georgetown, and Wesson and the rural areas immediately surrounding these communities. Guaranty Bank's service area consists of the town of Magee and the rural area surrounding this community. The service areas of both Merchants Bank and Guaranty Bank comprise the relevant geographic markets for the proposal. The service areas for all three banks were defined using a ZIP code analysis of deposit accounts. Within the markets so defined, the applicant banks derive approximately 75 percent of their deposits.

The proposed merger will combine three banks which operate in separate and distinct service areas. The closest two offices of FNB and Merchants Bank are separate by a distance of 23 miles, and the closest two offices of FNB and Guaranty Bank are separated by a distance of 30 miles. In addition, the distance between the nearest offices of Merchants Bank and Guaranty Bank is 29 miles. FNB, Merchants Bank and Guaranty Bank are not direct competitors. Consummation of the proposal will result in the replacement of one competitor in the relevant geographic markets with another and will not be significantly adverse to competition.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources and future prospects of all three banks are considered satisfactory. The future prospects of the resulting bank appear favorable as does its ability to further enhance its competitiveness in the market and serve the convenience and needs of its customers.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicant's records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act 12 U.S.C. 1828(c) and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the applications is approved.

August 30, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE HARTER BANK AND TRUST COMPANY,
Canton, Ohio, and The First National Bank of Salem, Salem, Ohio, and The Farmers National Bank and Trust Company of Ashtabula, Ashtabula, Ohio and Society Bank of Eastern Ohio, Youngstown, Ohio

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Salem, Salem, Ohio (43) with	$ 99,331,000	4	
and The Harter Bank and Trust Company, Canton, Ohio (6006) with	652,086,000	21	
and The Farmers National Bank and Trust Company of Ashtabula, Ashtabula, Ohio (975) with	208,429,000	8	
and Society Bank of Eastern Ohio, Youngstown, Ohio (38574) which had	137,428,000	6	
merged September 30, 1984, under the charter of The First National Bank of Salem and with the title Society Bank of Eastern Ohio, National Association. The merged bank at date of merger had	1,097,274,000		39

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

The Summary of Report by Attorney General was not received at press time.

* * *

RHODE ISLAND HOSPITAL TRUST NATIONAL BANK,
Providence, R.I., and Columbus National Bank of Rhode Island, Providence, R.I.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Rhode Island Hospital Trust National Bank, Providence, R.I. (15723), with	$1,832,953,000	31	
and Columbus National Bank of Rhode Island, Providence, R.I. (13981), which had	197,056,000	9	
merged September 30, 1984, under charter and title of the former. The merged bank at date of merger had	2,031,724,000		40

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

The Summary of Report by Attorney General was not received at press time.

* * *

II. *Mergers consummated involving a single operating bank.*

Because of space limitations, the *Quarterly Journal* will no longer carry the Comptroller's Decision or the Summary of Report by Attorney General for transactions involving a single operating bank if the standard text below is used. The OCC has implemented new procedures for processing corporate reorganization transactions. Some of these mergers were approved under the new procedures and no decision was issued.

COMPTROLLER'S DECISION

* * * Bank is being organized by * * *, a bank holding company. The merger of * * * Bank into * * * (organizing) Bank is a part of a process whereby * * * (holding company), will acquire 100 percent (less directors' qualifying shares) of * * * Bank. The merger is a vehicle for a bank holding company acquisition and combines a non-operating bank with an existing commercial bank. As such, it presents no competitive issues under the Bank Merger Act, 12 USC 1828(c).

The financial and managerial resources of both proponents and the future prospects of the resulting bank are favorable. After the merger, the resulting bank will be in the position to draw on the financial and managerial resources of its new corporate parent. This will permit it to more effectively serve the convenience and needs of its community.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicant's record of helping to meet the credit needs of the entire community, including low and moderate income neighborhoods, is less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed merger.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which the * * * Bank would become a subsidiary of * * *, a bank holding company. The instant transaction would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by * * * (holding company), it would have no effect on competition.

BELLINGHAM NATIONAL BANK,
Bellingham, Wash., and New Bellingham National Bank, Bellingham, Wash.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
Bellingham National Bank, Bellingham, Wash. (7474), which had	$111,111,727	8	
and New Bellingham National Bank, Bellingham, Wash. (7474), which had	240,000	0	
merged July 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	111,111,727		8
The resulting bank is a subsidiary of Puget Sound Bancorp, Bellingham, Wash.			

* * *

FARMERS AND MECHANICS NATIONAL BANK,
Frederick, Md., and Market National Bank, Frederick, Md.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
Farmers and Mechanics National Bank, Frederick, Md. (1267), with	$326,112,000	14	
and Market National Bank, Frederick, Md. (1267), which had	120,000	0	
merged July 1, 1984, under charter of the former and title of the latter. The merged bank at date of merger had			14
The resulting bank is a subsidiary of F&M Bancorp, Frederick, Md.			

* Asset figures are from the organizing information for the organizing bank and from the June 30, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

THE FIRST NATIONAL BANK OF BERWICK,
Berwick, Pa., and FKC Interim National Bank, Berwick, Pa.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The First National Bank of Berwick, Berwick, Pa. (568), with	$75,806,000	2	
and FKC Interim National Bank, Berwick, Pa. (568), which had	120,000	0	
merged July 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			2
The resulting bank is a subsidiary of First Keystone Corporation, Berwick, Pa.			

* Asset figures are from the organizing information for the organizing bank and from the June 30, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

THE FIRST NATIONAL BANK OF ENUMCLAW,
Enumclaw, Wash., and First Bank of Enumclaw, National Association, Enumclaw, Wash.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Enumclaw, Enumclaw, Wash. (12114), with	$81,631,000	4	
and First Bank of Enumclaw, National Association, Enumclaw, Wash. (12114), which had	240,000	0	
merged July 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	81,871,000		4
The resulting bank is a subsidiary of First Enumclaw Bancorporation, Enumclaw, Wash.			

* * *

GULF NATIONAL BANK AT LAKE CHARLES,
Lake Charles, La., and Lake Charles National Bank, Lake Charles, La.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Lake Charles National Bank, Lake Charles, La. (14621), with	$ 240,000	0	
and Gulf National Bank at Lake Charles, Lake Charles, La. (14621), which had	148,627,508	7	
merged July 1, 1984, under charter of the former and title of the latter. The merged bank at date of merger had	148,627,508		7
The resulting bank is a subsidiary of Gulf National Bancorp., Inc., Lake Charles, La.			

* * *

THE MIAMI CITIZENS NATIONAL BANK AND TRUST COMPANY,
Piqua, Ohio, and MCNB Interim Bank, National Association, Piqua, Ohio

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Miami Citizens National Bank and Trust Company, Piqua, Ohio (1061), with	$125,839,000	9	
and MCNB Interim Bank, National Association, Piqua, Ohio (1061), which had	120,000	0	
consolidated July 1, 1984, under charter and title of the latter. The consolidated bank at date of consolidation had			9
The resulting bank is a subsidiary of Miami Citizens Bancorp, Piqua, Ohio			

* Asset figures are from the organizing information for the organizing bank and from the June 30, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

NATIONAL BANK OF COMMERCE OF MISSISSIPPI,
Starkville, Miss., and NBCM Interim National Bank, Starkville, Miss.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
National Bank of Commerce of Mississippi, Starkville, Miss. (3656), with	$253,456,000	19	
and NBCM Interim National Bank, Starkville, Miss. (3656), which had	120,000	0	
consolidated July 1, 1984, under the charter and title of the former. The consolidated bank at date of consolidation had			19
The resulting bank is a subsidiary of NBC Capital Corporation, Starkville, Miss.			

* Asset figures are from the organizing information for the organizing bank and from the June 30, 1984 report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

THE WESTON NATIONAL BANK,
Weston, W. Va., and WNB National Bank, Weston, W. Va.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Weston National Bank, Weston, W. Va. (13634), with	$52,482,000	1	
and WNB National Bank, Weston, W. Va. (13634), which had	180,000	0	
merged July 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			1

* Asset figures are from the organizing information for the organizing bank and from the June 30, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

THE CITY NATIONAL BANK OF FULTON,
Fulton, Ky., and CNB Interim National Bank, Fulton, Ky.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The City National Bank of Fulton, Fulton, Ky. (6167), with	$52,853,000	1	
and CNB Interim National Bank, Fulton, Ky. (6167), which had	120,000	0	
merged July 2, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			1
The resulting bank is a subsidiary of City National Bancorp, Inc., Fulton, Ky.			

* Asset figures are from the organizing information for the organizing bank and from the June 30, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

FARMINGTON NATIONAL & SAVINGS BANK,
Farmington, N.H., and New Farmington National Bank, Farmington, N.H.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Farmington National & Savings Bank, Farmington, N.H. (13764), with	$41,590,000	2	
and New Farmington National Bank, Farmington, N.H. (13764), which had	60,000	0	
merged July 2, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	41,590,000		2

* * *

THE FIRST NATIONAL BANK OF JERMYN,
Jermyn, Pa., and FNBJ National Bank, Jermyn, Pa.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Jermyn, Jermyn, Pa. (6158), with	$108,659,000	2	
and FNBJ National Bank, Jermyn, Pa. (6158), which had	60,000	0	
merged July 2, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	108,659,000		2

* * *

THE FIRST NATIONAL BANK OF MORGANTOWN,
Morgantown, W. Va., and Vandalia National Bank, Morgantown, W. Va.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The First National Bank of Morgantown, Morgantown, W. Va. (14396), with	$239,470,000	2	
and Vandalia National Bank, Morgantown, W. Va. (14396), which had	120,000	0	
merged July 2, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			2
The resulting bank is a subsidiary of First Banc Securities, Inc., Morgantown, W. Va.			

* Asset figures are from the organizing information for the organizing bank and from the June 30, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

FIRST NATIONAL BANK OF WESTERN PENNSYLVANIA,
New Castle, Pa., and Interim First National Bank of Western Pennsylvania, New Castle, Pa.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank of Western Pennsylvania, New Castle, Pa. (562), with	$214,384,000	9	
and Interim First National Bank of Western Pennsylvania, New Castle, Pa. (562), which had	120,000	0	
merged July 2, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	214,384,000		9

* * *

THE KEESEVILLE NATIONAL BANK,
Keeseville, N.Y., and KNB National Bank, Keeseville, N.Y.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Keeseville National Bank, Keeseville, N.Y. (1753), with	$43,858,000	3	
and KNB National Bank, Keeseville, N.Y. (1753), which had	120,000	0	
merged July 2, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			3
The resulting bank is a subsidiary of First Glen Bancorp, Inc., Keeseville, N.Y.			

* Asset figures are from the organizing information for the organizing bank and from the June 30, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

THE FIRST NATIONAL BANK OF SIOUX CENTER,
Sioux Center, Iowa, and Sioux Center Interim Bank, National Association, Sioux Center, Iowa

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The First National Bank of Sioux Center, Sioux Center, Iowa (7369), with	$48,543,000	1	
and Sioux Center Interim Bank, National Association, Sioux Center, Iowa (7369), which had	60,000	0	
consolidated July 16, 1984, under charter and title of the former. The consolidated bank at date of consolidation had			1
The resulting bank is a subsidiary of First Sioux Center Bancshares, Ltd., Sioux Center, Iowa.			

* Asset figures are from the organizing information for the organizing bank and from the June 30, 1984 report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

THE MATEWAN NATIONAL BANK,
Matewan, W. Va., and Matewan Bank, National Association, Matewan, W. Va.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Matewan National Bank, Matewan, W. Va. (10370), with	$70,666,000	1	
and Matewan Bank, National Association, Matewan, W. Va. (10370), which had	60,000	0	
merged July 18, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			1

* Asset figures are from the organizing information for the organizing bank and from the June 30, 1984 report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

LASALLE NATIONAL BANK,
LaSalle, Ill., and LSNB Bank, National Association, LaSalle, Ill.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
LaSalle National Bank, LaSalle, Ill. (2503), with	$67,653,000	1	
and LSNB Bank, National Association, LaSalle, Ill. (2503), which had	240,000	0	
merged July 20, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			1
The resulting bank is a subsidiary of LaSalle Bancorp, Inc., Lasalle, Ill.			

* Asset figures are from the organizing information for the organizing bank and from the June 30, 1984 report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

THE FIRST NATIONAL BANK OF ROCHESTER,
Rochester, Ind., and FNR National Bank, Rochester, Ind.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The First National Bank of Rochester, Rochester, Ind. (7655), with	$68,387,000	2	
and FNR National Bank, Rochester, Ind. (7655), which had	120,000	0	
merged July 31, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			2
The resulting bank is a subsidiary of Robanco Financial Corp., Rochester, Ind.			

* Asset figures are from the organizing information for the organizing bank and from the June 30, 1984 report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

MID-CITIES NATIONAL BANK,
Hurst, Tex., and New Mid-Cities National Bank, Hurst, Tex.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Mid-Cities National Bank, Hurst, Tex. (17010) with	$24,161,000	1	
and New Mid-Cities National Bank, Hurst, Tex. (17010), which had	120,000	0	
consolidated July 31, 1984, under charter and title of the former. The consolidated bank at date of consolidation had	24,161,000		1
The resulting bank is a subsidiary of Mid-Cities Bancshares, Inc., Hurst, Tex.			

* * *

THE PEOPLES NATIONAL BANK OF CENTRAL JERSEY,
Piscataway, N.J., and Ultra National Bank, Piscataway, N.J.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Peoples National Bank of Central Jersey, Piscataway, N.J. (3697), with	$173,094,000	9	
and Ultra National Bank, Piscataway, N.J. (3697), which had	120,000	0	
consolidated July 31, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	173,194,000		9

* * *

THE BEVERLY NATIONAL BANK,
Beverly, Mass., and Beverly Bank, National Association, Beverly, Mass.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Beverly National Bank, Beverly, Mass. (969), with	$51,999,000	3	
and Beverly Bank, National Association, Beverly, Mass. (969), which had	120,000	0	
merged August 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	51,999,000		3

* * *

THE FIRST NATIONAL BANK OF BRADFORD COUNTY,
Towanda, Pa., and Indian National Bank of Bradford County, Towanda, Pa.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Bradford County, Towanda, Pa. (39), with	$78,533,000	9	
and Indian National Bank of Bradford County, Towanda, Pa. (39), which had	120,000	0	
merged August 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	78,533,000		9

* * *

HUDSON NATIONAL BANK,
Hudson, Mass., and Hudson Bank, National Association, Hudson, Mass.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Hudson National Bank, Hudson, Mass. (2618), with	$82,789,000	7	
and Hudson Bank, National Association, Hudson, Mass. (2618), which had	120,000	0	
merged August 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	82,909,000		7

* * *

THE SECOND NATIONAL BANK OF NAZARETH,
Nazareth, Pa., and FCB Interim National Bank, Nazareth, Pa.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Second National Bank of Nazareth, Nazareth, Pa. (5686), with	$91,892,000	3	
and FCB Interim National Bank, Nazareth, Pa. (5686), which had	120,000	0	
merged August 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	91,892,000		3

* * *

FIRST NATIONAL BANK OF DENHAM SPRINGS,
Denham Springs, La., and New First National Bank of Denham Springs, Denham Springs, La.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
New First National Bank of Denham Springs, Denham Springs, La. (15344), with	$ 120,000	0	
and First National Bank of Denham Springs, Denham Springs, La. (15344), which had	65,100,000	5	
consolidated August 10, 1984, under charter and title of the latter. The consolidated bank at date of consolidation had			5
The resulting bank is a subsidiary of First Denham Bancshares, Inc., Denham Springs, La.			

* Asset figures are from the organizing information for the organizing bank and from the June 30, 1984 report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

THE FIRST NATIONAL BANK OF MARISSA,
Marissa, Ill., and Marissa National Bank, Marissa, Ill.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Marissa, Marissa, Ill. (13735) with	$30,404,000	1	
and Marissa National Bank, Marissa, Ill. (13735) which had	60,000	0	
merged August 15, 1984, under the charter of the latter and title of former. The merged bank at date of merger had	30,404,000		1
The resulting bank is a subsidiary of Magna Group Inc., Belleville, Ill.			

* * *

THE FIRST NATIONAL BANK OF SMITHTON,
Smithton, Ill., and Smithton National Bank, Smithton, Ill.

Names of banks and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
The First National Bank of Smithton, Smithton, Ill. (13525) with	$11,086,000	1	———
and Smithton National Bank, Smithton, Ill. (13525) which had	60,000	0	———
merged August 15, 1984 under the charter of the latter and title of former. The merged bank at date of merger had	11,086,000	———	1
The resulting bank is a subsidiary of Magna Group, Inc., Belleville, Ill.			

* * *

THE FIRST NATIONAL BANK OF VERSAILLES,
Versailles, Ky., and FBV Bank, National Association, Versailles, Ky.

Names of banks and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
The First National Bank of Versailles, Versailles, Ky. (16905), with	$9,434,000	1	———
and FBV Bank, National Association, Versailles, Ky. (16905), which had	120,000	0	———
merged August 15, 1984, under the charter of the latter and title of former. The merged bank at date of merger had	9,553,000	———	1
The resulting bank is a subsidiary of First National Ban Corp. of Versailles, Versailles, Ky.			

* * *

THE FIRST NATIONAL BANK IN COLUMBIA,
Columbia, Ill., and Main Street National Bank, Columbia, Ill.

Names of banks and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
The First National Bank of Columbia, Columbia, Ill. (13805), with	$50,169,000	1	———
and Main Street National Bank, Columbia, Ill. (13805), which had	60,000	0	———
merged August 16, 1984, under the charter of the latter and title of former. The merged bank at date of merger had	50,169,000	———	1
The resulting bank is a subsidiary of Magna Group Inc., Belleville, Ill.			

* * *

ALICE NATIONAL BANK,
Alice, Tex., and New Alice National Bank, Alice, Tex.

Names of banks and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
Alice National Bank, Alice, Tex. (14808), with	$138,702,000	1	———
and New Alice National Bank, Alice, Tex. (14808), which had	240,000	0	———
merged August 31, 1984, under charter and title of the former. The merged bank at date of merger had	138,487,000	———	1
The resulting bank is a subsidiary of Alice Bancshares, Inc., Alice, Tex.			

* * *

FIRST NATIONAL BANK OF FARMINGTON,
Farmington, N.M., and Farmington Interim National Bank, Farmington, N.M.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank of Farmington, Farmington, N.M. (06183), with	$179,584,000	1	
and Farmington Interim National Bank, Farmington, N.M. (06183), which had	120,000	0	
consolidated August 31, 1984, under charter and title of the former. The consolidated bank at date of consolidation had	179,584,000		1
The resulting bank is a subsidiary of First Place Financial Corporation, Farmington, N.M.			

* * *

GUARANTY NATIONAL BANK OF HUNTINGTON,
Huntington, W. Va., and Guaranty Bank, National Association, Huntington, W. Va.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Guaranty National Bank of Huntington, Huntington, W. Va. (14706), with	$128,552,000	1	
and Guaranty Bank, National Association, Huntington, W. Va. (14706), which had	240,000	0	
merged August 31, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			1

* Asset figures are from the organizing information for the organizing bank and from the June 30, 1984 report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

THE MERCHANTS NATIONAL BANK OF TERRE HAUTE,
Terre Haute, Ind., and The Second Merchants National Bank of Terre Haute, Terre Haute, Ind.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Merchants National Bank of Terre Haute, Terre Haute, Ind. (13938), with	$269,053,000	9	
and The Second Merchants National Bank of Terre Haute, Terre Haute, Ind. (13938), which had	247,000	0	
merged August 31, 1984, under the charter of the latter and title of former. The merged bank at date of merger had	269,053,000		9
The resulting bank is a subsidiary of Merchants Republic Corp., Terre Haute, Ind.			

* * *

AMERICAN NATIONAL BANK AND TRUST COMPANY OF DANVILLE,
Danville, Va., and Danville Interim Bank, National Association, Danville, Va.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
American National Bank and Trust Company of Danville, Danville, Va. (9343), with	$126,856,000	5	
and Danville Interim Bank, National Association, Danville, Va. (9343), which had	120,000	0	
merged September 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			5

* Asset figures are from the organizing information for the organizing bank and from the June 30, 1984 report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

FARMERS AND MERCHANTS NATIONAL BANK OF HAMILTON,
Hamilton, Va., and Farmers and Merchants Interim Bank, National Association, Hamilton, Va.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Farmers and Merchants National Bank of Hamilton, Hamilton, Va. (9861), with	$41,797,000	4	
and Farmers and Merchants Interim Bank, National Association, Hamilton, Va. (9861), which had	60,000	0	
merged September 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			4

* Asset figures are from the organizing information for the organizing bank and from the June 30, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

BANK OF THE HAMPTONS, N.A.,
East Hampton, N.Y., and Hamptons Interim National Bank, East Hampton, N.Y.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Bank of the Hamptons, N.A., East Hampton, N.Y. (15464), with	$52,000,000	6	
and Hamptons Interim National Bank, East Hampton, N.Y. (15464), which had	60,000	0	
merged September 4, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	52,000,000		6

* * *

THE NATIONAL GRAND BANK OF MARBLEHEAD,
Marblehead, Mass., and Grand Bank, National Association, Marblehead, Mass.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The National Grand Bank of Marblehead, Marblehead, Mass. (676), with	$58,947,000	1	
and Grand Bank, National Association, Marblehead, Mass. (18362), which had	120,000	0	
merged September 4, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	58,947,000		1

* * *

WOBURN NATIONAL BANK,
Woburn, Mass., and Woburn Bank, National Association, Woburn, Mass.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Woburn National Bank, Woburn, Mass. (7550), with	$43,622,000	3	
and Woburn Bank, National Association, Woburn, Mass. (18361), which had	120,000	0	
merged September 4, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	43,622,000		3

* * *

THE NATIONAL BANK OF ROYAL OAK,
Royal Oak, Mich., and NBR National Bank, Royal Oak, Mich.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The National Bank of Royal Oak, Royal Oak, Mich. (14773), with	$76,147,000	3	
and NBR National Bank, Royal Oak, Mich. (14773), which had	240,000	0	
merged September 6, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	76,387,000		3
The resulting bank is a subsidiary of Royal Bank Group, Inc., Royal Oak, Mich.			

* * *

THE FISHKILL NATIONAL BANK,
Beacon, N.Y., and Fishkill Bank, N.A., Beacon, N.Y.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Fishkill National Bank, Beacon, N.Y. (35), with	$111,326,000	8	
and Fishkill Bank, N.A., Beacon, N.Y. (18397), which had	120,000	0	
merged September 8, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	111,326,000		8

* * *

FIRST NATIONAL BANK OF ROCHESTER,
Rochester, N.Y., and New First National Bank of Rochester, Rochester, N.Y.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank of Rochester, Rochester, N.Y. (15556), with	$81,098,000	7	
and New First National Bank of Rochester, Rochester, N.Y. (15556), which had	120,000	0	
merged September 10, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	81,098,000		7

* * *

THE CHAMPAIGN NATIONAL BANK,
Champaign, Ill., and The Champaign Interim National Bank, Champaign, Ill.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Champaign National Bank, Champaign, Ill. (2829), with	$184,383,000	3	
and The Champaign Interim National Bank, Champaign, Ill. (2829), which had	240,000	0	
merged September 13, 1984, under the charter of the latter and title of the former. The merged bank at date of merger had	184,383,000		3
The resulting bank is a subsidiary of Central Illinois Financial Corporation, Champaign, Ill.			

* * *

THE MARKET PLACE NATIONAL BANK,
Champaign, Ill., and Market Place Interim National Bank, Champaign, Ill.

Names of banks and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
The Market Place National Bank, Champaign, Ill. (16643), with	$9,824,000	2	______
and Market Place Interim National Bank, Champaign, Ill. (16643), which had	240,000	0	______
merged September 13, 1984, under the charter of the latter and title of the former. The merged bank at date of merger had	9,824,000	______	2
The resulting bank is a subsidiary of Central Illinois Financial Corporation, Champaign, Ill.			

* * *

THE FIRST NATIONAL BANK OF WEST CHESTER,
West Chester, Pa., and Interim National Bank of West Chester, West Chester, Pa.

Names of banks and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
The First National Bank of West Chester, West Chester, Pa. (148), with	$119,430,000	3	______
and Interim National Bank of West Chester, West Chester (18381), which had	120,000	0	______
merged September 13, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	119,430,000	______	3

* * *

SECURITY NATIONAL BANK OF SHREVEPORT,
Shreveport, La., and New Security National Bank of Shreveport, Shreveport, La.

Names of banks and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
Security National Bank of Shreveport, Shreveport, La. (17223), with	$18,095,000	1	______
and New Security National Bank of Shreveport, Shreveport, La. (17223), which had	120,000	0	______
consolidated September 20, 1984, under charter and title of the former. The consolidated bank at date of consolidation had	18,095,000	______	1
The resulting bank is a subsidiary of Security National Bancorp, Inc., Shreveport, La.			

* * *

THE MERCHANTS AND PLANTERS BANK,
Camden, Ark., and Interim Camden National Bank, Camden, Ark.

Names of banks and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
The Merchants and Planters Bank, Camden, Ark. (11253), with	$58,673,000	7	______
and Interim Camden National Bank, Camden, Ark. (18413), which had	125,000	0	______
merged September 28, 1984, under charter of the latter and title of "Merchants and Planters Bank, National Association." The merged bank at date of merger had	58,798,000	______	7
The resulting bank is a subsidiary of First United Bancshares, Inc., El Dorado, Ark.			

* * *

THE HAZELTON NATIONAL BANK,
Hazelton, Pa., and FV Interim National Bank, Bethelehem, Pa.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Hazelton National Bank, Hazelton, Pa. (4204), with	$18,223,000	9	———
and FV Interim National Bank, Bethlehem, Pa. (18396), which had	960,000	0	———
merged September 30, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	18,223,000	———	9

* * *

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Changes in the structure of the national banking system, by states, June 30, 1984

	In operation Dec 31, 1983	Organized and opened for business	Consolidated and merged under 12 USC 215		Insolvencies	Liquidated	12 USC 214		In operation June 30, 1984
			Consolidated	Merged			Converted to state banks	Merged or consolidated with state banks	
United States	4,757	154	3	44	0	10	8	14	4 832
Alabama	77	1	0	1	0	0	3	0	74
Alaska	6	0	0	0	0	0	0	0	6
Arizona	5	2	0	0	0	0	0	0	7
Arkansas	73	1	0	0	0	0	0	0	74
California	134	15	0	0	0	1	1	0	147
Colorado	208	9	0	0	0	0	0	0	217
Connecticut	14	0	0	0	0	0	0	0	14
Delaware	14	0	0	0	0	0	0	0	14
District of Columbia	18	0	0	0	0	0	0	0	18
Florida	197	18	0	18	0	1	1	1	194
Georgia	59	0	1	1	0	0	0	0	57
Hawaii	3	0	0	0	0	0	0	0	3
Idaho	7	0	0	0	0	0	0	0	7
Illinois	402	2	0	0	0	0	0	1	403
Indiana	114	0	0	0	0	1	0	1	112
Iowa	100	3	0	0	0	1	0	0	102
Kansas	156	3	0	0	0	0	0	0	159
Kentucky	77	0	0	0	0	0	0	0	77
Louisiana	60	2	0	0	0	0	0	0	62
Maine	9	0	0	0	0	0	0	1	8
Maryland	25	0	0	0	0	0	0	0	25
Massachusetts	66	0	0	0	0	0	0	0	66
Michigan	124	1	0	0	0	1	0	2	122
Minnesota	202	0	2	0	0	2	0	0	198
Mississippi	34	1	0	0	0	0	0	1	34
Missouri	124	2	0	2	0	0	0	2	122
Montana	54	0	0	0	0	0	0	0	54
Nebraska	122	1	0	0	0	0	0	0	123
Nevada	5	0	0	0	0	0	0	0	5
New Hampshire	30	0	0	0	0	0	0	0	30
New Jersey	79	1	0	3	0	0	0	0	77
New Mexico	43	0	0	0	0	0	0	0	43
New York	108	2	0	1	0	0	0	0	109
North Carolina	20	0	0	2	0	0	0	0	18
North Dakota	40	0	0	0	0	0	0	0	40
Ohio	159	0	0	4	0	0	0	0	155
Oklahoma	211	8	0	0	0	1	0	0	218
Oregon	7	0	0	0	0	0	0	0	7
Pennsylvania	197	4	0	0	0	0	2	0	199
Rhode Island	5	0	0	0	0	0	0	0	5
South Carolina	17	2	0	0	0	0	0	0	19
South Dakota	29	0	0	0	0	0	0	0	29
Tennessee	69	2	0	6	0	0	0	1	64
Texas	880	65	0	1	0	2	0	0	942
Utah	7	1	0	0	0	0	0	0	8
Vermont	11	1	0	0	0	0	0	0	12
Virginia	55	1	0	1	0	0	1	2	52
Washington	23	0	0	0	0	0	0	0	23
West Virginia	102	1	0	3	0	0	0	1	99
Wisconsin	124	0	0	0	0	0	0	1	123
Wyoming	52	5	0	1	0	0	0	0	56

NOTE. Does not include one nonnational bank in the District of Columbia

Assets, liabilities and capital accounts of national banks, June 30, 1983, and June 30, 1984
(Dollar amounts in millions)

	June 30, 1983 4,713 banks	June 30, 1984 4,823 banks*	Change June 30, 1983 – June 30, 1984 Fully consolidated	
	Consolidated foreign and domestic	Consolidated foreign and domestic	Amount	Percent
Assets				
Cash and balances due from depository institutions				
Noninterest-bearing balances and currency and coin	$ 210,601	$ 99,429	NA	NA
Interest-bearing balances	NA	95,197	NA	NA
Securities	214,520	208,352	$ 6,168	-2.9
Federal funds sold and securities purchased under agreements to resell	58,762	56,007	2,755	4.7
Total loans and leases, net of unearned income	752,445	875,477	123,032	16.4
Less: Allowance for loan and lease losses	8,750	10,619	1,869	21.4
Less: Allocated transfer risk reserve	NA	32	NA	NA
Net loans and leases	743,695	864,826	121,131	16.3
Premises and fixed assets	20,736	22,557	1,821	8.8
Other real estate owned	2,989	3,070	81	2.7
Other assets	73,654	83,659	10,005	13.6
Total assets	1,324,958	1,433,096	108,138	8.2
Liabilities				
Noninterest-bearing deposits in domestic offices	210,375	220,747	10,372	4.9
Interest-bearing deposits in domestic offices	594,893	651,927	57,034	9.6
Total domestic deposits	805,268	872,674	67,406	8.4
Noninterest-bearing deposits in foreign offices	NA	7,523	NA	NA
Interest-bearing deposits in foreign offices	NA	219,714	NA	NA
Total foreign deposits	211,339	227,237	15,898	7.5
Total deposits	1,016,607	1,099,911	83,304	8.2
Federal funds purchased and securities sold under agreements to repurchase	116,319	124,276	7,957	6.8
Interest-bearing demand notes issued to the U.S. Treasury	13,591	5,940	-7,651	-56.3
Other liabilities for borrowed money	25,424	33,438	8,014	31.5
Mortgage indebtedness and liability for capitalized leases	1,712	1,770	58	3.4
Subordinated notes and debentures	3,728	5,447	1,719	46.1
All other liabilities	72,533	79,518	6,985	9.6
Total liabilities	1,249,915	1,350,299	100,384	8.0
Limited-life preferred stock	NA	81	NA	NA
Equity Capital				
Perpetual preferred stock	150	133	17	-11.3
Common stock	13,870	14,572	702	5.1
Surplus	22,184	25,842	3,658	16.5
Undivided profits and capital reserves	38,839	42,433	3,594	9.3
Cumulative foreign currency translation adjustments	NA	-264	NA	NA
Total equity capital	75,043	82,716	7,673	10.2
Total liabilities, limited-life preferred stock, and equity capital	1,324,958	1,433,096	108,138	8.2

* Excludes five national noninsured trust companies with total assets of $10.4 million and two national banks that did not report.

Year-to-date income and expenses of national banks, June 30, 1984
(Dollar amounts in millions)

	4,823 banks*	
	Consolidated foreign and domestic	Percent distribution
Interest income:		
Interest and fee income on loans	$52,807	73.6
Income from lease financing receivables	727	1.0
Interest income on balances due from depository institutions	5,212	7.3
Interest and dividend income on securities	9,420	13.1
Interest income from assets held in trading accounts	614	0.8
Interest income from federal funds sold and securities purchased under agreements to resell	3,000	4.2
Total interest income	71,780	100.0
Interest expense:		
Interest on deposits	39,561	81.0
Expense of federal funds purchased and securities sold under agreements to repurchase	6,369	13.0
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	2,606	5.3
Interest on mortgage indebtedness and obligations under capitalized leases	117	0.3
Interest on notes and debentures subordinated to deposits	190	0.4
Total interest expense	48,843	100.0
Net interest income	22,937	
Provision for loan and lease losses	3,819	
Provision for allocated transfer risk	37	
Noninterest income:		
Service charges on deposit accounts	1,793	22.5
Other noninterest income	6,192	77.5
Total noninterest income	7,985	100.0
Gains and losses on securities not held in trading accounts	(118)	
Noninterest expense:		
Salaries and employee benefits	10,842	50.3
Expenses of premises and fixed assets (net of rental income)	3,426	15.9
Other noninterest expense	7,289	33.8
Total noninterest expense	21,557	100.0
Income (loss) before income taxes and extraordinary items and other adjustments	5,391	
Applicable income taxes	1,626	
Income before extraordinary items and other adjustments	3,765	
Extraordinary items and adjustments, net of taxes	29	
Net income	3,794	
Total cash dividends declared	1,881	
Recoveries credited to allowance for possible loan losses	661	
Losses charged to allowance for possible loan losses	3,757	
Net loan losses	3,097	
Ratio to total operating income:		
Interest on deposits	49.6	
Other interest expense	11.6	
Salaries and employee benefits	13.6	
Other noninterest expense	13.4	
Total operating expenses	88.3	
Ratio of net income (annualized) to:		
Total assets (end of period)	.53	
Total equity capital	10.10	

* Excludes five national noninsured trust companies with total assets of $10.4 million and two national banks that did not report.

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, by states, June 30, 1984

(Dollar amounts in millions)

	Total United States	Alabama	Alaska	Arizona	Arkansas	California	Colorado
Number of banks	4 822	74	6	7	74	14[illegible]	[illegible]
Assets							
Cash and balances due from depository institutions							
Noninterest-bearing balances and currency and coin	$ 99 427	$ 1.021	$ 207	$ 1 179	$ 598	$ 14 573	$ 1 5[illegible]
Interest-bearing balances	95 197	413	29	780	88	14 759	[illegible]
Securities	197 865	3 452	511	1 971	1 997	11 42[illegible]	[illegible]
Federal funds sold and securities purchased under agreements to resell	56 004	607	27	347	824	4 256	[illegible]
Loans and leases, net of unearned income	875 443	6.596	1 268	8.354	4 614	142 770	[illegible]
Less: Allowance for loan and lease losses	10 619	90	14	107	50	1 520	[illegible]
Less: Allocated transfer risk reserve	32	—	0	0	0	11	[illegible]
Net loans and leases	864 792	6.505	1.254	8.247	4.564	141 239	[illegible]
Premises and fixed assets	22 556	253	84	297	157	3 640	[illegible]
Other real estate owned	3 068	40	13	28	23	721	95
Other assets	94 115	344	49	600	184	13 790	443
Total assets	1.433.024	12.635	2.174	13.449	8.435	204 405	[illegible]
Liabilities							
Noninterest-bearing deposits in domestic offices	220 724	2.506	676	2.910	1.562	28 762	3 483
Interest-bearing deposits in domestic offices	651 885	7.218	1.049	8.309	5.315	91 281	8 827
Total domestic deposits	872 609	9 724	1.725	11.219	6 877	120 043	12 31[illegible]
Noninterest-bearing deposits in foreign offices	7 523	—	1	0	0	2.334	[illegible]
Interest-bearing deposits in foreign offices	219 714	189		24	0	45 252	209
Total foreign deposits	227 237	190	1	24	0	47.586	209
Total deposits	1 099 846	9 914	1.726	11.243	6.877	167.629	12 519
Federal funds purchased and securities sold under agreements to repurchase	124 275	1.212	146	714	754	10 355	1 547
Interest-bearing demand notes issued to U.S. Treasury	5 940	39	10	56	24	652	57
Other liabilities for borrowed money	33 438	134	—	62	34	3 250	99
Mortgage indebtedness and liability for capitalized leases	1 770	12	3	12	5	280	26
Subordinated notes and debentures	5 447	24	—	42	22	283	36
All other liabilities	79 516	312	28	561	98	12 871	284
Total liabilities	1.350 232	11.647	1.914	12.690	7.814	195.320	14 568
Limited-life preferred stock	81	0	0	0	0	0	[illegible]
Equity Capital							
Perpetual preferred stock	133	0	0	0	14	4	[illegible]
Common stock	14 571	79	56	65	93	2 550	21[illegible]
Surplus	25 841	385	81	178	128	2 856	385
Undivided profits and capital reserves	42 428	527	123	516	386	3 828	55[illegible]
Cumulative foreign currency translation adjustments	−264	0	0	0	0	−153	0
Total equity capital	82.709	991	260	759	621	9 085	[illegible]
Total liabilities, limited-life preferred stock, and equity capital	1 433.024	12 635	2.174	13 449	8.435	204 405	15 72[illegible]
Number of banks with foreign offices	150	2	1	2	0	6	[illegible]
Total domestic office assets	1 120 945	12 279	2.166	13.215	8.435	131 921	15 519

See notes at end of table

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, by states, June 30, 1984—continued

(Dollar amounts in millions)

	Connecticut	Delaware	Dist. of Col.	Florida	Georgia	Hawaii	Idaho
Number of banks	14	14	18	189	57	3	7
Assets							
Cash and balances due from depository institutions							
Noninterest-bearing balances and currency and coin	$ 1,246	$ 95	$ 947	$ 4,024	$ 2,051	$ 17	315
Interest-bearing balances	1,192	42	1,515	2,199	1,412	1	176
Securities	1,523	157	2,918	10,549	2,871	44	931
Federal funds sold and securities purchased under agreements to resell	516	39	287	3,813	515	18	180
Loans and leases, net of unearned income	6,800	4,059	6,509	27,007	11,805	98	3,525
Less allowance for loan and lease losses	65	74	85	308	156	1	32
Less allocated transfer risk reserve	—	0	1	—	0	0	0
Net loans and leases	6,734	3,985	6,423	26,699	11,649	97	3,493
Premises and fixed assets	202	29	164	1,282	377	4	97
Other real estate owned	21	2	21	59	29	—	26
Other assets	272	64	539	1,468	1,125	3	111
Total assets	11,706	4,413	12,814	50,093	20,029	184	5,329
Liabilities							
Noninterest-bearing deposits in domestic offices	2,931	145	2,438	10,351	4,847	38	685
Interest-bearing deposits in domestic offices	5,730	1,715	5,590	30,144	9,129	126	3,451
Total domestic deposits	8,661	1,860	8,028	40,495	13,976	164	4,136
Noninterest-bearing deposits in foreign offices	2	0	7	18	63	0	0
Interest-bearing deposits in foreign offices	505	15	2,141	696	695	0	0
Total foreign deposits	507	15	2,148	714	758	0	0
Total deposits	9,168	1,875	10,176	41,209	14,734	164	4,136
Federal funds purchased and securities sold under agreements to repurchase	1,533	566	1,323	4,747	2,642	1	678
Interest-bearing demand notes issued to U.S. Treasury	115	2	72	128	14	1	25
Other liabilities for borrowed money	36	1,409	79	127	192	0	20
Mortgage indebtedness and liability for capitalized leases	18	3	11	54	18	1	6
Subordinated notes and debentures	12	0	22	30	143	2	23
All other liabilities	182	156	414	769	1,160	2	128
Total liabilities	11,064	4,011	12,097	47,064	18,903	171	5,016
Limited-life preferred stock	0	0	0	0	0	0	0
Equity Capital							
Perpetual preferred stock	—	13	0	—	0	0	0
Common stock	103	106	76	546	189	7	44
Surplus	248	197	169	1,332	318	5	188
Undivided profits and capital reserves	291	86	472	1,151	619	1	81
Cumulative foreign currency translation adjustments	0	0	—	0	0	0	0
Total equity capital	642	402	717	3,029	1,126	13	313
Total liabilities, limited-life preferred stock, and equity capital	11,706	4,413	12,814	50,093	20,029	184	5,329
Number of banks with foreign offices	2	1	5	16	4	0	0
Total domestic office assets	10,358	4,387	9,906	47,238	17,998	184	5,329

See notes at end of table.

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, June 30, 1984—continued
(Dollar amounts in millions)

	Illinois	Indiana	Iowa	Kansas	Kentucky	Louisiana	Maine
Number of banks	403	112	102	159	77	62	[illegible]
Assets							
Cash and balances due from depository institutions:							
Noninterest-bearing balances and currency and coin	$ 6,033	$ 1,985	$ 674	$ 726	$ 935	$ 1,377	$ [illegible]
Interest-bearing balances	8,421	1,219	94	61	157	333	39
Securities	15,037	5,142	2,228	2,730	2,584	4,342	[illegible]
Federal funds sold and securities purchased under agreements to resell	2,985	878	277	605	555	641	49
Loans and leases, net of unearned income	70,169	11,977	4,465	4,880	6,039	8,733	[illegible]
Less: Allowance for loan and lease losses	1,185	130	53	55	75	114	[illegible]
Less: Allocated transfer risk reserve	10	1	0	0	0	0	0
Net loans and leases	68,974	11,846	4,412	4,825	5,964	8,620	[illegible]
Premises and fixed assets	1,208	313	133	162	198	380	[illegible]
Other real estate owned	206	53	49	27	19	45	[illegible]
Other assets	6,185	839	197	204	257	315	34
Total assets	109,049	22,275	8,064	9,340	10,669	16,053	1,823
Liabilities							
Noninterest-bearing deposits in domestic offices	12,673	3,906	1,354	1,607	2,058	3,484	390
Interest-bearing deposits in domestic offices	39,617	13,504	5,343	6,113	6,241	9,343	1,197
Total domestic deposits	52,290	17,410	6,697	7,720	8,299	12,828	1,587
Noninterest-bearing deposits in foreign offices	563	7	0	0	12		0
Interest-bearing deposits in foreign offices	24,941	193	21	0	148	106	0
Total foreign deposits	25,504	200	21	0	160	106	0
Total deposits	77,794	17,610	6,718	7,720	8,459	12,934	1,587
Federal funds purchased and securities sold under agreements to repurchase	11,103	2,314	521	607	1,066	1,424	71
Interest-bearing demand notes issued to U.S. Treasury	932	124	48	50	67	22	9
Other liabilities for borrowed money	7,128	71	34	42	78	38	11
Mortgage indebtedness and liability for capitalized leases	41	38	18	4	31	18	1
Subordinated notes and debentures	2,277	21	26	11	6	24	1
All other liabilities	4,651	634	112	133	181	251	17
Total liabilities	103,926	20,812	7,477	8,567	9,888	14,711	1,697
Limited-life preferred stock	0	0	0	0	0	0	4
Equity Capital							
Perpetual preferred stock	7	0	—	1	—	0	0
Common stock	854	229	89	124	97	173	16
Surplus	2,103	428	132	199	151	346	33
Undivided profits and capital reserves	2,166	808	366	449	533	823	73
Cumulative foreign currency translation adjustments	−7	−2	0	0	0	0	0
Total equity capital	5,123	1,463	587	773	781	1,342	122
Total liabilities, limited-life preferred stock, and equity capital	109,049	22,275	8,064	9,340	10,669	16,053	1,823
Number of banks with foreign offices	5	3	1	0	1	2	0
Total domestic office assets	82,011	20,354	8,032	9,340	10,430	15,949	1,823

See notes at end of table.

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, June, 30, 1984—continued
(Dollar amounts in millions)

	Maryland	*Massa-chusetts*	*Michigan*	*Minnesota*	*Mississippi*	*Missouri*	*Montana*
Number of banks	25	66	122	198	34	122	54
Assets							
Cash and balances due from depository institutions:							
Noninterest-bearing balances and currency and coin	$ 1,214	$ 2,826	$ 2,882	$ 2,280	$ 531	$ 2,256	$ 192
Interest-bearing balances	1,179	3,957	2,460	2,240	252	625	188
Securities	2,370	3,054	6,401	4,833	1,944	3,243	764
Federal funds sold and securities purchased under agreements to resell	631	519	1,199	1,594	314	1,372	270
Loans and leases, net of unearned income	7,424	21,165	19,632	18,615	3,762	9,832	2,112
Less allowance for loan and lease losses	87	241	216	223	51	140	22
Less allocated transfer risk reserve	0	0	0	2	0	0	0
Net loans and leases	7,337	20,924	19,416	18,390	3,711	9,692	2,090
Premises and fixed assets	220	529	460	337	148	343	64
Other real estate owned	22	20	102	68	33	41	17
Other assets	969	3,102	1,103	2,031	202	652	87
Total assets	13,942	34,931	34,023	31,773	7,135	18,224	3,672
Liabilities							
Noninterest-bearing deposits in domestic offices	3,065	6,042	6,186	4,487	1,254	4,173	491
Interest-bearing deposits in domestic offices	6,736	11,792	19,641	15,047	4,439	9,018	2,461
Total domestic deposits	9,801	17,834	25,827	19,534	5,693	13,191	2,952
Noninterest bearing deposits in foreign offices	31	434	22	37	0	1	0
Interest-bearing deposits in foreign offices	617	7,107	1,378	2,895	48	681	0
Total foreign deposits	648	7,541	1,400	2,932	48	682	0
Total deposits	10,449	25,375	27,227	22,466	5,741	13,873	2,952
Federal funds purchased and securities sold under agreements to repurchase	1,694	3,989	3,514	5,175	680	2,228	376
Interest bearing demand notes issued to U.S. Treasury	75	176	178	246	23	95	14
Other liabilities for borrowed money	36	1,014	127	311	64	121	14
Mortgage indebtedness and liability for capitalized leases	40	31	44	37	18	82	7
Subordinated notes and debentures	2	59	55	150	10	9	17
All other liabilities	872	2,590	830	1,578	124	567	47
Total liabilities	13,168	33,234	31,975	29,963	6,660	16,974	3,427
Limited-life preferred stock	0	0	0	0	0	—	0
Equity Capital							
Perpetual preferred stock	0	5	1	10	0	4	0
Common stock	85	170	359	362	51	173	74
Surplus	203	556	643	490	371	298	80
Undivided profits and capital reserves	486	973	1,048	948	53	775	91
Cumulative foreign currency translation adjustments	—	−7	−3	0	0	0	0
Total equity capital	774	1,697	2,048	1,810	475	1,250	245
Total liabilities, limited-life preferred stock, and equity capital	13,942	34,931	34,023	31,773	7,135	18,224	3,672
Number of banks with foreign offices	3	4	5	4	1	4	0
Total domestic office assets	10,688	24,813	31,730	28,540	6,919	17,595	3,67[illegible]

See footnotes at end of table.

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, June 30, 1984—continued

(Dollar amounts in millions)

	Nebraska	Nevada	New Hampshire	New Jersey	New Mexico	New York	North Carolina
Number of banks	123	5	30	77	43	109	18
Assets							
Cash and balances due from depository institutions							
Noninterest-bearing balances and currency and coin	$ 643	$ 287	$ 210	$ 3 214	$ 346	$ [illegible]	$ [illegible]
Interest-bearing balances	24	419	53	1 590	115	26 88[illegible]	[illegible]
Securities	2 086	509	567	8 122	1 429	18 03[illegible]	[illegible]
Federal funds sold and securities purchased under agreements to resell	461	32	69	1 213	316	[illegible]	[illegible]
Loans and leases, net of unearned income	4 751	1 712	1 621	20 079	2 935	[illegible]	[illegible]
Less: Allowance for loan and lease losses	64	22	15	227	30	[illegible]	[illegible]
Less: Allocated transfer risk reserve	0	0	0	0	0	[illegible]	[illegible]
Net loans and leases	4 687	1 690	1 606	19 852	2 905	164 284	[illegible]
Premises and fixed assets	151	85	43	584	110	3 145	[illegible]
Other real estate owned	49	18	1	46	15	244	[illegible]
Other assets	214	71	40	1 043	134	33 492	[illegible]
Total assets	8 315	3 111	2 589	35 664	5 370	266 763	28 220
Liabilities							
Noninterest-bearing deposits in domestic offices	1 428	774	516	8 661	850	26 919	4 476
Interest-bearing deposits in domestic offices	5 393	1 809	1 644	21 120	3 635	58 443	12 705
Total domestic deposits	6 821	2 583	2 160	29 781	4 485	85 363	17 181
Noninterest-bearing deposits in foreign offices	0	0	0	0	0	3 508	15
Interest-bearing deposits in foreign offices	0	0	0	408	0	107 272	3 205
Total foreign deposits	0	0	0	408	0	110 780	3 220
Total deposits	6 821	2 583	2 160	30 189	4 485	196 143	20 401
Federal funds purchased and securities sold under agreements to repurchase	604	192	188	2 169	368	13 455	4 201
Interest-bearing demand notes issued to U.S. Treasury	27	14	13	147	16	658	115
Other liabilities for borrowed money	14	12	11	77	22	12 106	80
Mortgage indebtedness and liability for capitalized leases	21	5	5	23	3	275	69
Subordinated notes and debentures	28	0	2	118	17	450	115
All other liabilities	129	50	34	760	75	29 243	1 715
Total liabilities	7 644	2 856	2 413	33 483	4 986	252 330	26 696
Limited-life preferred stock	0	0	0	0	0	3	0
Equity Capital							
Perpetual preferred stock	1	0	0	4	0	8	0
Common stock	96	56	14	390	102	2 493	254
Surplus	127	74	47	565	143	4 291	333
Undivided profits and capital reserves	447	125	115	1 222	139	7 724	937
Cumulative foreign currency translation adjustments	0	0	0	0	0	−86	[illegible]
Total equity capital	671	255	176	2 181	384	14 430	1 524
Total liabilities, limited-life preferred stock, and equity capital	8 315	3 111	2 589	35 664	5 370	266 763	28 220
Number of banks with foreign offices	0	0	0	7	0	11	3
Total domestic office assets	8 315	3 111	2 589	34 972	5 370	117 960	25 241

See notes at end of table.

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, June 30, 1984—continued
(Dollar amounts in millions)

	North Dakota	Ohio	Oklahoma	Oregon	Pennsylvania	Rhode Island	South Carolina
Number of banks	40	155	217	7	199	5	19
Assets							
Cash and balances due from depository institutions							
Noninterest-bearing balances and currency and coin	$ 167	$ 3,740	$ 1,415	$ 868	$ 5,003	$ 325	$ 691
Interest-bearing balances	83	3,100	240	742	4 691	329	339
Securities	787	9,676	4,906	1 288	12 398	1 078	1 347
Federal funds sold and securities purchased under agreements to resell	88	3,318	1 050	800	2 432	206	601
Loans and leases net of unearned income	1 646	30,135	11,177	7,174	45,012	3 947	3 696
Less allowance for loan and lease losses	22	352	183	68	563	47	43
Less allocated transfer risk reserve	0	0	0	0	4	0	0
Net loans and leases	1,624	29,783	10,994	7,106	44,444	3,900	3 653
Premises and fixed assets	48	857	314	162	917	86	188
Other real estate owned	12	84	62	92	60	3	8
Other assets	72	1,786	678	902	8 559	565	246
Total assets	2,881	52,344	19,659	11,960	78,504	6,492	7 073
Liabilities							
Noninterest-bearing deposits in domestic offices	358	8,593	3,359	1 786	10,910	928	1 759
Interest-bearing deposits in domestic offices	2,075	31,072	12,737	6 752	38,432	3 244	3 820
Total domestic deposits	2,433	39,665	16,096	8,538	49,342	4 172	5 580
Noninterest bearing deposits in foreign offices	0	12	0	0	396	10	0
Interest-bearing deposits in foreign offices	0	953	191	131	5,685	681	0
Total foreign deposits	0	965	191	131	6,081	691	0
Total deposits	2,433	40,630	16,287	8,669	55,423	4 863	5 580
Federal funds purchased and securities sold under agreements to repurchase	139	5,614	1,213	1,597	7,678	753	855
Interest-bearing demand notes issued to U S Treasury	15	238	72	39	342	14	33
Other liabilities for borrowed money	18	459	237	41	2,311	228	32
Mortgage indebtedness and liability for capitalized leases	6	60	7	13	87	6	7
Subordinated notes and debentures	15	39	64	48	250	27	10
All other liabilities	48	1,464	339	862	7 823	229	89
Total liabilities	2 674	48,504	18,219	11,269	73 914	6 120	[illegible]
Limited-life preferred stock	0	55	0	0	10	0	0
Equity Capital							
Perpetual preferred stock	0	—	12	1	0	20	[illegible]
Common stock	57	654	249	93	556	[illegible]	[illegible]
Surplus	59	1,366	359	176	1 529	106	[illegible]
Undivided profits and capital reserves	91	1 765	820	421	2 500	214	[illegible]
Cumulative foreign currency translation adjustments	0	0	0	0	5	[illegible]	[illegible]
Total equity capital	207	3 785	1 440	692	4 580	[illegible]	[illegible]
Total liabilities, limited-life preferred stock, and equity capital	2,881	52,344	19 659	11,960	78 504	[illegible]	[illegible]
Number of banks with foreign offices	0	10	3	2	[illegible]	[illegible]	[illegible]
Total domestic office assets	2,881	49,083	19 648	10 612	69 918	5 566	[illegible]

See footnotes at end of table

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, June 30, 1984—continued

(Dollar amounts in millions)

	South Dakota	Tennessee	Texas	Utah	Vermont	Virginia	Washington
Number of banks	29	64	939	8	12	[illegible]	23
Assets							
Cash and balances due from depository institutions							
Noninterest-bearing balances and currency and coin	$ 244	$ 1 568	$ 9.667	$ 483	$ 78	$ 1 044	$ 1 894
Interest-bearing balances	102	795	7 706	448	23	428	308
Securities	950	3 496	18,984	671	183	2 619	2 026
Federal funds sold and securities purchased under agreements to resell	43	658	7 408	479	65	604	728
Loans and leases, net of unearned income	6 974	8 994	77 815	3.387	818	9 285	16 364
Less: allowance for loan and lease losses	82	106	1,101	36	7	98	336
Less: allocated transfer risk reserve	0	1	0	0	0	0	0
Net loans and leases	6.892	8.887	76.714	3.351	812	9 188	16 027
Premises and fixed assets	116	313	2 210	93	24	308	473
Other real estate owned	15	39	260	77	2	20	99
Other assets	220	692	5.481	117	23	328	1 447
Total assets	8.582	16 447	128.431	5.718	1.209	14.538	23 002
Liabilities							
Noninterest-bearing deposits in domestic offices	438	3 331	21.304	958	199	2 633	4 212
Interest-bearing deposits in domestic offices	4 968	9.813	64,407	3.318	881	9.115	12 849
Total domestic deposits	5 406	13 144	85.710	4.276	1.080	11.747	17 061
Noninterest-bearing deposits in foreign offices	0		11	0	0	0	30
Interest-bearing deposits in foreign offices	0	74	11.872	123	0	3	999
Total foreign deposits	0	74	11.883	123	0	3	1 029
Total deposits	5.406	13.218	97.593	4,399	1.080	11.750	18 090
Federal funds purchased and securities sold under agreements to repurchase	1 807	1.547	15,180	764	29	1 246	1 832
Interest-bearing demand notes issued to U.S. Treasury	12	23	548	22	5	82	131
Other liabilities for borrowed money	312	149	1,973	16	—	242	481
Mortgage indebtedness and liability for capitalized leases	6	22	186	7	0	27	47
Subordinated notes and debentures	20	15	654	50	7	37	143
All other liabilities	276	420	4.436	123	12	208	1 173
Total liabilities	7.841	15.394	120.569	5.382	1.132	13.592	21 897
Limited-life preferred stock	0	0	0	0	0	0	9
Equity Capital							
Perpetual preferred stock	6	2	14	0	0	0	6
Common stock	168	179	1.462	53	13	91	244
Surplus	200	253	2.113	109	20	170	646
Undivided profits and capital reserves	368	618	4.273	174	44	684	201
Cumulative foreign currency translation adjustments	0	0	—	0	0	0	—
Total equity capital	742	1.053	7.862	336	77	946	1 097
Total liabilities, limited-life preferred stock, and equity capital	8.582	16.447	128.431	5.718	1.209	14 538	23 002
Number of banks with foreign offices	0	4	18	1	0	1	3
Total domestic office assets	8 582	15.604	119.277	5.391	1.209	14 417	20 204

See notes at end of table.

Consolidated foreign and domestic assets, liabilities and capital accounts of national banks, June 30, 1984— continued

(Dollar amounts in millions)

	West Virginia	*Wisconsin*	*Wyoming*	*District of Columbia nonnational**
Number of banks	99	122	56	1
Assets				
Cash and balances due from depository institutions.				
Noninterest-bearing balances and currency and coin	$ 368	$ 1 007	$ 183	$ 2
Interest-bearing balances	150	261	62	0
Securities	2 699	2,808	767	30
Federal funds sold and securities purchased under agreements to resell	421	453	173	3
Loans and leases, net of unearned income	3,483	8,313	1 513	33
Less allowance for loan and lease losses	36	89	21	1
Less allocated transfer risk reserve	0	2	0	0
Net loans and leases	3,447	8,221	1,492	33
Premises and fixed assets	151	289	51	1
Other real estate owned	17	28	20	2
Other assets	154	495	71	1
Total assets	7,407	13,563	2,819	72
Liabilities				
Noninterest-bearing deposits in domestic offices	1,048	2,306	475	20
Interest-bearing deposits in domestic offices	5,052	8,249	1,976	45
Total domestic deposits	6,100	10,555	2 451	65
Noninterest-bearing deposits in foreign offices	0	9	0	0
Interest-bearing deposits in foreign offices	0	259	0	0
Total foreign deposits	0	268	0	0
Total deposits	6,100	10,823	2,451	65
Federal funds purchased and securities sold under agreements to repurchase	514	1,290	58	1
Interest-bearing demand notes issued to U S. Treasury	24	92	4	0
Other liabilities for borrowed money	26	42	17	0
Mortgage indebtedness and liability for capitalized leases	9	12	4	0
Subordinated notes and debentures	2	20	8	0
All other liabilities	90	336	35	1
Total liabilities	6,765	12,615	2,577	67
Limited-life preferred stock	0	0	0	0
Equity Capital				
Perpetual preferred stock	0	0	0	0
Common stock	88	169	17	
Surplus	187	299	57	1
Undivided profits and capital reserves	367	479	167	3
Cumulative foreign currency translation adjustments	0	0	0	0
Total equity capital	642	948	241	5
Total liabilities, limited-life preferred stock, and equity capital	7,407	13,563	2,819	72
Number of banks with foreign offices	0	2	0	0
Total domestic office assets	7,407	13 225	2 819	[illegible]

* Nonnational banks in the District of Columbia are supervised by the Comptroller of the Currency Nonnational bank data are [illegible] U S aggregates

NOTES Foreign offices are defined to include Edge Act and Agreement subsidiaries in the U S branches located in Puerto Rico, [illegible] Islands and U S Trust Territories and branches and subsidiaries located in foreign countries

Dashes indicate amounts of less than $500,000

Data are from the consolidated reports of condition filed quarterly by all national banks Five national [illegible] two national banks are not included in this table

Domestic office deposits of national banks, by states, June 30, 1984

(Dollar amounts in millions)

	Total demand deposits at domestic offices	*NOW and automatic transfer accounts*	*Non transaction savings accounts*	*Time certificates of deposit of $100 000 or more*	*Other large time deposits*	*All other time deposits at domestic offices*	*Total deposits at foreign offices*	*Total consolidated deposits*	*Brokered deposits*
All national banks	$217 789	$41 352	$227,944	$150 211	$13,811	$215 671	$227,237	$1,099 910	$20 072
Alabama	2 408	434	2 029	1 339	281	3 190	190	9,913	162
Alaska	676	23	565	270	2	189	1	1 726	12
Arizona	2 906	347	3 737	1 008	5	3,216	24	11 243	0
Arkansas	1 534	413	1 783	937	54	2 034	0	6,878	14
California	28 216	5 398	38 237	23 247	3 120	21 332	47,586	167 629	3,543
Colorado	3 469	746	3 068	2 559	119	1,920	209	12,520	273
Connecticut	2 929	602	2,482	479	162	2,006	507	9,168	92
Delaware	145	26	514	911	2	257	15	1,875	172
District of Columbia*	2 456	307	2 500	2 127	40	647	2,148	10,241	368
Florida	10 293	2,786	14 151	3,818	395	8,989	714	41,209	173
Georgia	4 821	631	3,118	1 904	46	3,405	758	14,734	448
Hawaii	38	5	54	36	0	30	0	164	0
Idaho	676	262	1 018	595	4	1,564	0	4,136	35
Illinois	12 593	1 845	10 550	11 576	1,277	13,885	25,504	77,794	1,571
Indiana	3 887	648	4 178	1,914	22	6,749	200	17,611	127
Iowa	1 353	393	1,477	467	3	2,998	21	6,718	68
Kansas	1 601	434	1,804	1 158	115	2,598	0	7,720	6
Kentucky	2 048	495	1,720	930	27	3,039	160	8,459	20
Louisiana	3 466	582	2,589	3 023	20	2 933	106	12,934	85
Maine	387	148	539	75	4	434	0	1,587	0
Maryland	3 063	569	2,933	676	4	2 513	647	10,448	76
Massachusetts	5 987	909	4 640	3 898	430	1 822	7,541	25,374	338
Michigan	6 151	794	7,500	2 940	88	8 088	1 399	27,226	322
Minnesota	4 430	960	3,819	4 613	379	5 288	2,932	22,466	1,723
Mississippi	1 247	263	1 238	866	7	2 072	48	5,741	0
Missouri	4 125	554	2 151	2 980	207	3,128	681	13,873	326
Montana	487	231	674	278	6	1 222	0	2,952	2
Nebraska	1 426	480	1,311	574	11	2 990	0	6,820	4
Nevada	764	171	691	406	0	551	0	2,583	176
New Hampshire	513	225	729	193	0	480	0	2,160	0
New Jersey	8 588	1 402	9,551	2,264	69	7,359	408	30,189	17
New Mexico	848	204	1 303	998	34	1,083	0	4,485	19
New York	25 731	2 939	24 125	11,514	3,159	17,895	110,779	196,142	793
North Carolina	4 347	1 193	4 817	2 038	162	4,624	3,220	20,401	206
North Dakota	348	184	503	200	4	1 160	0	2,433	0
Ohio	8 505	2 285	11,583	4 083	219	12 935	964	40 630	94
Oklahoma	3 333	678	2 889	5,226	23	3,801	191	16,287	368
Oregon	1 779	844	2 708	652	0	2 556	131	8 670	50
Pennsylvania	10 721	1 854	14 994	5,982	568	15 135	6,081	55,423	2,725
Rhode Island	905	131	1 224	721	181	1,009	691	4 863	55
South Carolina	1 755	499	1 665	246	0	1 412	0	5 580	0
South Dakota	426	246	1 134	1 811	10	1,753	0	5,406	424
Tennessee	3 324	642	3 074	1 720	22	4 363	74	13 218	65
Texas	20 979	3 228	13 536	30 836	2 276	13 466	11 883	97 593	4 869
[illegible]	949	272	1 063	878	4	1 110	123	4 399	0
[illegible]	199	65	407	58	5	347	0	1 080	0
[illegible]	7 627	818	2 670	1 153	28	4 382	3	11 750	51
[illegible]	4 156	1 161	3 826	1 924	11	4 929	1 029	18 090	176
[illegible]	1 019	298	1 719	409	7	2 609	0	6 100	8
[illegible]	2 291	550	2 770	1 365	23	3 556	268	10 823	18
[illegible]	471	180	584	334	174	619	0	2 451	0

[illegible] banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.
[illegible] due to rounding.

Domestic office loans of national banks, by states, June 30, 1984
(Dollar amounts in millions)

	Total loans, gross	Loans secured by real estate	Loans to financial institutions	Loans to farmers	Commercial and industrial loans	Personal loans to individuals	Other loans	Total loans at foreign offices	Total [illegible] earned [illegible]
All national banks	$886,029	$207,870	$19,582	$19,412	$250,720	$140,357	$75,638	$172 448	$[illegible] 046 31[illegible]
Alabama	6,837	1,815	72	88	2,150	1,838	835	38	6 634
Alaska	1,270	411	13	6	481	184	169	5	1 274
Arizona	8,412	2,351	407	482	2,302	2,308	487	76	8 430
Arkansas	4,718	1,613	82	211	1,584	899	330	0	4 614
California	142,978	41,125	1,575	3,676	29,853	17 411	8,758	40 579	183 333
Colorado	9,664	2,971	206	604	3,302	1,840	738	3	9 640
Connecticut	6,946	2,147	134	13	2,383	1,632	410	228	7 028
Delaware	4,060	138	4	0	75	3,823	19	0	4 059
District of Columbia*	6,595	1,890	265	1	1,802	664	991	982	7 524
Florida	27,659	10,836	417	94	6,620	7,313	1 951	426	27 433
Georgia	12,051	2,636	224	58	3,651	3,151	2,016	315	12 120
Hawaii	99	57	0	0	28	12	1	0	98
Idaho	3,549	972	156	422	954	788	257	0	3 525
Illinois	70,640	11,161	1,446	1,204	25,949	6,811	6,412	17 657	87 811
Indiana	12,197	3,868	304	333	3,214	2,632	1,650	196	12 173
Iowa	4,486	1,156	47	886	1,126	884	361	27	4 491
Kansas	4,915	1,036	81	853	1,600	968	377	0	4 880
Kentucky	6,171	1,679	82	254	1,765	1,391	897	103	6 142
Louisiana	8,916	2,586	71	84	3,130	2,127	893	25	8 759
Maine	1,114	414	0	2	338	262	98	0	1 113
Maryland	7,494	2,575	104	46	2,260	1,221	756	533	7 956
Massachusetts	21,366	3,489	705	29	7,584	2,163	2,375	5,021	26,153
Michigan	19,686	5,652	387	149	6,897	3,049	2,946	606	20,237
Minnesota	18,765	4,068	609	893	7,043	2,220	2,745	1,187	19,802
Mississippi	3,898	1,257	37	93	1,122	1,008	379	2	3,764
Missouri	9,904	2,258	508	386	3,260	1,838	1,208	445	10,277
Montana	2,146	507	10	365	730	443	91	0	2 112
Nebraska	4,766	724	148	1,439	1,137	888	429	0	4 751
Nevada	1,715	736	10	13	452	399	105	0	1 712
New Hampshire	1,694	582	13	1	503	510	85	0	1 621
New Jersey	20,459	7,243	856	15	6,773	4,106	1,283	182	20,262
New Mexico	2,999	813	46	147	1,155	713	126	0	2,935
New York	168,767	17,548	2,732	413	31,340	15,041	8,556	93,139	257,500
North Carolina	15,918	3,662	471	215	5,251	3,652	1,969	697	16,446
North Dakota	1 652	407	5	358	525	288	69	0	1 646
Ohio	30,870	8,569	601	391	8,987	8,054	3,698	570	30,704
Oklahoma	11,287	3,173	221	705	4,301	1,494	1,394	0	11 178
Oregon	7,231	2,141	188	244	2,440	1,255	903	59	7,233
Pennsylvania	45,671	9,844	3,604	172	15,194	7,036	6,135	3,687	48 693
Rhode Island	3,975	1,069	136	0	1,359	594	527	290	4 236
South Carolina	3,821	941	76	58	1,084	1,241	421	0	3 696
South Dakota	6,996	473	9	726	707	4,925	156	0	6 974
Tennessee	9,154	2,596	423	107	2,797	2,022	1,187	21	9 015
Texas	78,674	22,853	1,821	1,847	32,473	9,325	6,759	3,596	[illegible]
Utah	3,414	1,313	5	64	1,025	755	252	0	3 387
Vermont	818	381	4	12	215	179	28	0	818
Virginia	9,641	3,242	65	131	2,274	3,050	870	9	9 295
Washington	16,451	4,310	76	645	5,449	3,104	1,337	1,532	17 894
West Virginia	3,627	1,408	25	14	642	1,225	313	0	3 483
Wisconsin	8,369	2,770	106	265	2,854	1 316	845	213	8 525
Wyoming	1,522	402	0	193	584	306	39	0	[illegible]

* Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency
NOTE Figures may not add to totals due to rounding

Outstanding balances, credit cards and related plans of national banks, June 30, 1984
(Dollar amounts in thousands)

	Total number of national banks	Credit cards and other related credit plans	
		Number of national banks	Outstanding volume
All national banks	4,823	2,063	$37,376,064
Alabama	74	24	189,419
Alaska	6	4	54,307
Arizona	7	2	512,016
Arkansas	74	9	42,301
California	147	117	6,763,440
Colorado	217	176	573,382
Connecticut	14	8	316,818
Delaware	14	12	2,907,943
District of Columbia	19	16	116,826
Florida	189	70	1,225,437
Georgia	57	29	935,540
Hawaii	3	1	2,836
Idaho	7	5	111,311
Illinois	403	163	2,493,073
Indiana	112	73	426,521
Iowa	102	45	287,952
Kansas	159	27	154,766
Kentucky	77	28	113,541
Louisiana	62	19	330,041
Maine	8	7	46,479
Maryland	25	10	69,525
Massachusetts	66	53	423,014
Michigan	122	85	985,370
Minnesota	198	117	162,541
Mississippi	34	4	80,325
Missouri	122	46	639,419
Montana	54	28	21,955
Nebraska	123	37	196,889
Nevada	5	3	31,944
New Hampshire	30	24	47,018
New Jersey	77	51	470,624
New Mexico	43	10	116,595
New York	109	57	4,301,493
North Carolina	18	15	728,451
North Dakota	40	20	13,999
Ohio	155	107	1,539,519
Oklahoma	217	51	189,525
Oregon	7	3	275,890
Pennsylvania	199	50	746,346
Rhode Island	5	3	131,479
South Carolina	19	14	207,322
South Dakota	29	12	4,541,985
Tennessee	64	17	336,885
Texas	939	224	1,257,926
Utah	8	4	102,624
Vermont	12	4	22,533
Virginia	52	18	620,634
Washington	23	9	1,059,604
West Virginia	99	18	57,398
Wisconsin	122	101	383,376
Wyoming	56	33	9,916
[illegible]*	20	17	117,072

* [illegible] the District of Columbia which is also supervised by the Comptroller of the Currency.

National banks engaged in lease financing, June 30, 1984
(Dollar amounts in thousands)

	Total number of national banks	Number of banks engaged in lease financing	Amount of lease financing at domestic offices
All national banks	4,823	1 127	$10 504 702
Alabama	74	20	41 477
Alaska	6	2	4 162
Arizona	7	2	130 735
Arkansas	74	18	21 800
California	147	52	3 436 957
Colorado	217	83	139 061
Connecticut	14	3	42 769
Delaware	14	1	2 632
District of Columbia	19	5	27 866
Florida	189	30	90 819
Georgia	57	16	154 191
Hawaii	3	1	602
Idaho	7	4	72 425
Illinois	403	88	135 607
Indiana	112	34	200 160
Iowa	102	25	13 040
Kansas	159	34	25,271
Kentucky	77	15	128,489
Louisiana	62	11	74,602
Maine	8	2	4,713
Maryland	25	7	88,346
Massachusetts	66	17	675,409
Michigan	122	19	225,347
Minnesota	198	66	163,111
Mississippi	34	4	10,882
Missouri	122	31	143,873
Montana	54	14	3,383
Nebraska	123	43	70 027
Nevada	5	1	24,067
New Hampshire	30	2	1 606
New Jersey	77	17	156 100
New Mexico	43	20	11,074
New York	109	31	1,030 159
North Carolina	18	6	404 911
North Dakota	40	17	7 794
Ohio	155	65	619 590
Oklahoma	217	71	30 350
Oregon	7	3	119 452
Pennsylvania	199	20	542 544
Rhode Island	5	2	262 581
South Carolina	19	3	25 012
South Dakota	29	8	1 070
Tennessee	64	22	55 406
Texas	939	107	429 538
Utah	8	2	103 314
Vermont	12	0	0
Virginia	52	8	103 983
Washington	23	9	357 319
West Virginia	99	14	8 383
Wisconsin	122	34	80 403
Wyoming	56	18	2 290
District of Columbia—all*	20	5	27 866

* Includes the nonnational bank in the District of Columbia, which is also supervised by the Comptroller of the Currency

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, year ended June 30, 1984

(Dollar amounts in millions)

	Total United States	Alabama	Alaska	Arizona	Arkansas	[illegible]	[illegible]
Number of banks	4,821	74	6	7	74	[illegible]	[illegible]
Operating income:							
Interest and fees on loans	$52,814.9	$390.2	$81.5	$497.1	$269.7	[illegible]	[illegible]
Income from lease financing	727.0	1.5	.3	5.6	1.1	[illegible]	[illegible]
Interest on balances due from depository institutions	5,211.7	22.9	3.2	40.6	4.5	[illegible]	[illegible]
Income on U.S. Treasury and other securities	9,424.4	161.6	22.6	97.6	96.9	[illegible]	[illegible]
Income from assets held in trading accounts	613.9	.4	0	.3	.4	[illegible]	[illegible]
Interest on federal funds sold and securities purchased under agreements to resell	3,000.9	30.3	2.7	19.0	34.7	[illegible]	[illegible]
Total operating income	71,796.0	607.9	110.2	660.1	407.3	[illegible]	[illegible]
Operating expense:							
Interest on deposits	39,570.9	310.6	43.0	351.7	226.9	[illegible]	[illegible]
Expense of federal funds purchased and securities sold under agreements to repurchase	6,369.6	58.3	6.8	25.[illegible]	31.7	447.7	[illegible]
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	2,605.6	9.0	.7	6.9	2.3	[illegible]	[illegible]
Interest on mortgage indebtedness and obligations under capitalized leases	116.9			.2	.4	[illegible]	[illegible]
Interest on notes and debentures subordinated to deposits	190.3	1.1		1.7	1.0	[illegible]	[illegible]
Total interest expense	48,853.6	379.3	50.5	385.6	262.1	[illegible]	[illegible]
Net interest income	22,942.6	228.6	59.7	274.5	145.2	[illegible]	[illegible]
Provision for loan and lease losses	3,821.5	13.4	1.0	25.0	14.1	[illegible]	46.0
Provision for allocated transfer risk	37.2		0	0	0	28.9	0
Noninterest income:							
Service charges on deposit accounts	1,793.7	25.9	6.4	36.8	13.7	[illegible]	[illegible]
Other noninterest income	6,192.3	52.0	13.2	40.9	25.7	[illegible]	[illegible]
Total noninterest income	7,986.0	77.9	19.8	77.8	39.3	[illegible]	[illegible]
Gains and losses on securities not held in trading accounts	−118.7	−1.0	.1	0	.1	6.6	[illegible]
Noninterest expense:							
Salaries and employee benefits	10,843.4	108.3	30.9	134.0	61.8	[illegible]	[illegible]
Expenses of premises and fixed assets (net of rental income)	3,427.0	33.5	10.9	40.8	20.6	604.6	[illegible]
Other noninterest expense	7,290.4	66.8	13.7	64.7	45.0	929.7	[illegible]
Total noninterest expense	21,560.9	208.7	55.5	239.5	127.3	[illegible]	[illegible]
Income (loss) before income taxes and extraordinary items and other adjustments	5,390.4	83.1	23.1	87.7	43.3	[illegible]	[illegible]
Applicable income taxes	1,625.9	11.2	3.9	29.8	6.7	252.9	[illegible]
Income before extraordinary items and other adjustments	3,763.5	71.9	19.3	57.9	36.6	[illegible]	[illegible]
Extraordinary items and adjustments, net of taxes	29.2		.2	0			
Net income	3,792.8	71.9	19.4	57.9	36.6	[illegible]	[illegible]
Total cash dividends declared	1,645.5	34.6	4.5	21.2	5.3	[illegible]	[illegible]
Recoveries credited to allowance for possible loan losses	556.8	5.8	1.0	6.3	3.0	96.8	[illegible]
Losses charged to allowance for possible loan losses	3,409.3	13.7	.8	21.0	8.6	[illegible]	[illegible]
Net loan losses	2,852.5	7.9	−.2	14.7	5.6	[illegible]	[illegible]

Ratio to total operating income							
Interest on deposits	49 6	45 3	33 1	47 7	50 8	55 3	43 0
Other interest expense	11 6	10 0	5 8	4 6	7 9	6 1	8 9
Salaries and employee benefits	13 6	15 8	23 8	18 2	13 8	15 4	16 2
Other noninterest expense	18 3	16 6	19 7	17 7	17 9	18 5	24 5
Total operating expenses	93 1	87 7	82 3	88 1	90 4	95 3	92 6
Ratio of net income to total equity capital (end of period)-percent	4 6	7 3	7 5	7 6	5 9	3 3	5 3

See notes at end of table

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, year ended June 30, 1984—continued

(Dollar amounts in millions)

	Connecticut	Delaware	District of Columbia	Florida	Georgia	Hawaii	Idaho
Number of banks	14	14	18	189	57	3	[illegible]
Interest income							
Interest and fees on loans	$430.0	$327.5	$361.6	$1,616.9	$707.6	$[illegible]	$[illegible]
Income from lease financing receivables	3.0		.3	4.7	9.4		[illegible]
Interest income on balances due from depository institutions	73.4	3.7	74.1	121.8	73.2		[illegible]
Interest and dividend income on securities	66.0	7.9	137.5	484.3	142.0	[illegible]	[illegible]
Interest income from assets held in trading accounts	.9		.7	4.1	7.1		
Interest income from federal funds sold and securities purchased under agreements to resell	7.8	2.6	16.5	199.6	28.4	.9	[illegible]
Total interest income	581.1	341.8	590.7	2,433.0	967.8	[illegible]	[illegible]
Interest expense							
Interest on deposits	272.2	70.6	328.3	1,243.2	420.1	[illegible]	[illegible]
Expense of federal funds purchased and securities sold under agreements to repurchase	72.9	26.4	69.3	211.2	142.1		[illegible]
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	14.1	74.4	8.6	8.6	8.3		3.1
Interest on mortgage indebtedness and obligations under capitalized leases	.6	.3	.5	3.5	.8		.4
Interest on notes and debentures subordinated to deposits	.5	0	.7	1.4	8.0		[illegible]
Total interest expense	360.2	171.7	407.4	1,467.9	579.4	5.3	177.4
Net interest income	220.9	170.0	183.3	965.1	388.4	4.3	[illegible]
Provision for loan and lease losses	9.9	46.1	23.3	71.4	31.3	.2	[illegible]
Provision for allocated transfer risk	.4	0	.4	—	0	0	[illegible]
Noninterest income							
Service charges on deposit accounts	23.6	1.5	19.9	103.5	53.9	.5	[illegible]
Other noninterest income	55.1	66.3	27.8	244.9	62.2	.6	12.3
Total noninterest income	78.7	67.8	47.6	348.4	116.1	1.1	22.9
Gains and losses on securities not held in trading accounts	.7	.1	.3	−18.2	−4.9		[illegible]
Noninterest expense							
Salaries and employee benefits	121.5	27.9	87.6	428.9	172.2	2.7	[illegible]
Expenses of premises and fixed assets (net of rental income)	41.6	6.4	30.7	155.1	57.4	1.3	10.6
Other noninterest expense	58.1	71.3	46.4	349.8	134.1	1.5	30.9
Total noninterest expense	221.1	105.6	164.7	933.8	363.7	5.5	89.4
Income (loss) before income taxes and extraordinary items and other adjustments	68.8	86.3	42.8	291.1	105.6	.3	[illegible]
Applicable income taxes	17.3	40.7	1.4	61.9	10.6	.1	3.4
Income before extraordinary items and other adjustments	51.5	45.6	41.4	229.3	95.0	.1	18.9
Extraordinary items and adjustments, net of taxes	.2	0	.3	.9	0		
Net income	51.7	45.6	41.7	230.2	95.0	.1	18.9
Total cash dividends declared	23.5	10.6	12.1	88.8	32.7		[illegible]
Recoveries credited to allowance for possible loan losses	4.4	6.0	3.7	18.5	14.1	.2	[illegible]
Losses charged to allowance for possible loan losses	14.3	35.3	22.9	58.8	24.6	.3	[illegible]
Net loan losses	9.9	29.3	19.2	40.3	10.5	.1	[illegible]

Ratio to total operating income							
Interest on deposits	41 3	17 2	51 4	44 7	38 8	47 2	48 8
Other interest expense	13 3	24 7	12 4	8 1	14 7	1 9	10 9
Salaries and employee benefits	18 4	6 8	13 7	15 4	15 9	25 0	16 1
Other noninterest expense	16 7	30 2	15 8	20 7	20 6	27 8	17 0
Total operating expenses	89 7	79 0	93 3	88 9	89.9	101 9	92 8
Ratio of net income to total equity capital (end of period)-percent	8 1	11 3	5 8	7 6	8 4	8	6 0

See notes at end of table

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, year ended June 30, 1984—continued

(Dollar amounts in millions)

	Illinois	Indiana	Iowa	Kansas	Kentucky	Louisiana	Maine
Number of banks	403	112	102	159	77	[illegible]	[illegible]
Interest income							
Interest and fee income on loans	$4,039.6	$ 688.7	$269.0	$303.6	$354.4	[illegible]	[illegible]
Income from lease financing receivables	12.1	9.9	.6	1.6	5.5	[illegible]	
Interest income on balances due from depository institutions	477.4	66.7	4.9	4.4	4.1	16.4	[illegible]
Interest and dividend income on securities	724.6	248.6	110.6	134.4	130.1	[illegible]	[illegible]
Interest income from assets held in trading accounts	44.4	1.2	.2	.4	.7		[illegible]
Interest income from federal funds sold and securities purchased under agreements to resell	148.9	45.0	19.4	33.2	40.6	41.1	[illegible]
Total interest income	5,447.1	1,060.1	404.7	477.6	535.4	815.3	[illegible]
Interest expense							
Interest on deposits	3,264.1	588.1	238.7	266.3	275.5	409.4	47.3
Expense of federal funds purchased and securities sold under agreements to repurchase	543.1	108.0	26.1	29.9	59.8	69.2	3.4
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	277.7	11.5	2.5	3.5	6.9	3.4	.8
Interest on mortgage indebtedness and obligations under capitalized leases	1.7	2.1	.7	.2	1.5	.7	
Interest on notes and debentures subordinated to deposits	45.2	1.0	1.2	.5	.3	1.4	
Total interest expense	4,131.8	711.6	269.3	300.4	344.1	484.0	51.5
Net interest income	1,315.4	348.5	135.4	177.2	191.5	331.3	[illegible]
Provision for loan and lease losses	1,234.1	31.4	25.1	18.5	16.6	33.7	[illegible]
Provision for allocated transfer risk	2.6	0	0	0	0	0	[illegible]
Noninterest income							
Service charges on deposit accounts	76.1	29.7	10.8	13.7	14.9	30.5	2.8
Other noninterest income	581.0	64.3	34.1	26.1	32.3	48.2	[illegible]
Total noninterest income	657.1	94.0	44.9	39.9	47.2	78.8	[illegible]
Gains and losses on securities not held in trading accounts	−25.7	1.2	−.2	−.4	−.7	−3.6	[illegible]
Noninterest expense							
Salaries and employee benefits	677.9	158.6	54.5	67.1	83.8	133.5	[illegible]
Expenses of premises and fixed assets (net of rental income)	204.2	46.6	15.1	19.5	25.8	44.3	6.8
Other noninterest expense	477.6	110.1	55.7	47.4	52.9	81.5	[illegible]
Total noninterest expense	1,359.8	315.3	125.3	134.0	162.5	259.2	[illegible]
Income (loss) before income taxes and extraordinary items and other adjustments	−649.8	97.0	29.8	64.2	58.8	113.5	[illegible]
Applicable income taxes	99.6	12.3	3.4	14.4	6.5	23.3	[illegible]
Income before extraordinary items and other adjustments	−749.3	84.7	26.4	49.8	52.3	90.2	[illegible]
Extraordinary items and adjustments, net of taxes	2.3	—	.2	.3	.1	.1	[illegible]
Net income	−747.0	84.7	26.6	50.1	52.4	90.3	[illegible]
Total cash dividends declared	101.9	33.0	8.0	8.4	14.2	30.6	[illegible]
Recoveries credited to allowance for possible loan losses	38.0	6.8	2.1	1.4	3.0	8.0	[illegible]
Losses charged to allowance for possible loan losses	853.4	23.5	9.7	7.9	12.2	34.8	[illegible]
Net loan losses	815.4	16.7	7.6	6.5	9.2	26.8	[illegible]

Ratio to total operating income							
Interest on deposits	53.5	51 0	53.1	51 5	45 7	45 8	45 6
Other interest expense	14 2	10.7	6 8	6 6	11 8	8 3	4 1
Salaries and employee benefits	11.1	13 7	12.1	13 0	14 4	14 9	19 5
Other noninterest expense	31.4	16 3	21.3	16 5	16 4	14 5	21 0
Total operating expenses	110 2	91.7	93.4	87.5	89 8	86 9	90 1
Ratio of net income to total equity capital (end of period)-percent	14 6	5 8	4.5	6 5	6 7	6 7	5 4

See notes at end of table

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, year ended June 30, 1984—continued

(Dollar amounts in millions)

	Maryland	Massachusetts	Michigan	Minnesota	Mississippi	Missouri	Montana
Number of banks	25	66	122	198	34	[illegible]	[illegible]
Interest income							
Interest and fees on loans	$421.2	$1,462.8	$1,116.1	$1,063.0	$228.6	$592.4	[illegible]
Income from lease financing receivables	7.7	55.8	9.6	1.8	1.1	3.8	[illegible]
Interest on balances due from depository institutions	59.4	241.6	145.1	130.1	14.8	30.8	[illegible]
Interest and dividend income on securities	110.1	154.9	306.9	238.8	92.6	148.8	[illegible]
Interest income from assets held in trading accounts	1.1	37.5	2.0	19.9	.1	7.4	[illegible]
Interest income from federal funds sold and securities purchased under agreements to resell	27.7	35.6	67.6	59.8	20.0	72.6	[illegible]
Total interest income	627.1	1,988.2	1,648.9	1,513.3	356.3	855.7	[illegible]
Interest expense							
Interest on deposits	305.4	1,025.1	902.6	807.6	196.8	422.3	103.6
Expense of federal funds purchased and securities sold under agreements to repurchase	77.6	206.3	181.0	258.5	31.7	123.4	[illegible]
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	7.1	199.7	21.0	30.4	3.0	10.4	[illegible]
Interest on mortgage indebtedness and obligations under capitalized leases	1.9	1.4	2.6	3.4	.7	3.8	[illegible]
Interest on notes and debentures subordinated to deposits	.1	3.0	3.0	6.6	.4	.4	[illegible]
Total interest expense	392.1	1,435.5	1,110.2	1,106.4	232.6	560.3	123.0
Net interest income	235.0	552.7	538.7	406.9	123.7	295.4	67.6
Provision for loan and lease losses	23.8	47.5	59.5	73.0	11.9	36.3	9.7
Provision for allocated transfer risk	0	.2	.6	.6	0	0	0
Noninterest income							
Service charges on deposit accounts	30.9	35.3	50.0	32.5	14.8	23.3	6.0
Other noninterest income	44.3	187.4	123.7	118.2	17.9	92.8	7.6
Total noninterest income	75.1	222.7	173.7	150.7	32.7	116.1	13.6
Gains and losses on securities not held in trading accounts	1.4	.2	−6.7	−2.0	.3	−.8	[illegible]
Noninterest expense							
Salaries and employee benefits	129.6	317.0	272.4	172.7	57.6	141.0	25.5
Expenses of premises and fixed assets (net of rental income)	43.4	94.4	80.5	47.9	16.7	39.5	6.7
Other noninterest expense	63.1	183.7	169.5	136.3	38.2	117.7	20.8
Total noninterest expense	236.1	595.0	522.5	356.9	112.5	298.3	53.0
Income (loss) before income taxes and extraordinary items and other adjustments	51.6	132.9	123.2	125.2	32.3	76.0	18.3
Applicable income taxes	7.6	43.7	13.8	17.1	—	9.4	3.5
Income before extraordinary items and other adjustments	44.0	89.3	109.3	108.0	32.4	66.6	14.8
Extraordinary items and adjustments, net of taxes	0	—	5.8		0	.2	[illegible]
Net income	44.0	89.3	115.2	108.0	32.4	66.8	14.8
Total cash dividends declared	8.7	26.8	46.5	27.8	7.9	33.8	5.7
Recoveries credited to allowance for possible loan losses	5.7	15.5	11.4	5.5	3.0	6.3	[illegible]
Losses charged to allowance for possible loan losses	11.6	48.9	62.9	43.8	12.5	26.2	[illegible]
Net charge-offs	5.9	33.4	188.3	38.3	9.5	19.9	[illegible]

Ratio to total operating income							
Interest on deposits	43.5	46.4	49.5	48.5	50.6	43.5	50.8
Other interest expense	12.4	18.6	11.4	18.0	9.2	14.2	9.5
Salaries and employee benefits	18.5	14.3	15.0	10.4	14.8	14.5	12.5
Other noninterest expense	18.6	14.7	17.0	15.5	17.2	19.9	18.2
Total operating expenses	92.9	94.0	92.9	92.4	91.8	92.1	91.0
Ratio of net income to total equity capital (end of period)-percent	5.7	5.3	5.6	6.0	6.8	5.3	6.0

See notes at end of table

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, year ended June 30, 1984—continued

(Dollar amounts in millions)

	Nebraska	Nevada	New Hampshire	New Jersey	New Mexico	New York	North Carolina
Number of banks	123	5	30	77	43	109	[illegible]
Interest income							
Interest and fees on loans	$298 8	$106 9	$ 98 9	$1 134 2	$193 1	$10 632 6	$ [illegible]
Income from lease financing receivables	3 2	1 8	—	7 7	6	205 2	[illegible]
Interest on balances due from depository institutions	1 3	19 8	3 0	90 6	7 2	1 487 1	[illegible]
Interest and dividend income on securities	101 1	21 2	26 2	368 0	70 4	864 2	[illegible]
Interest income from assets held in trading accounts	4	1		1 4		301 4	[illegible]
Interest income from federal funds sold and securities purchased under agreements to resell	31 2	2 6	4 1	67 4	18 2	419 0	54 0
Total interest income	436 0	152 4	132 3	1 672 3	289 5	13 909 5	1 319 1
Interest expense							
Interest on deposits	237 5	71 9	66 3	862 8	162 7	7 971 7	641 1
Expense of federal funds purchased and securities sold under agreements to repurchase	36 4	7 6	7 9	101 4	17 3	968 5	192 9
Interest on demand notes issued to the U S Treasury and on other borrowed money	2 2	9	1 0	15 1	1 1	1 260 8	11 6
Interest on mortgage indebtedness and obligations under capitalized leases	9	3	3	9	2	47 8	3 4
Interest on notes and debentures subordinated to deposits	1 2	0	—	7 2	8	17 8	4 9
Total interest expense	278 2	80 6	75 6	987 4	182 0	10 266 6	854 0
Net interest income	157 9	71 9	56 7	684 8	107 5	3 643 0	465 [illegible]
Provision for loan and lease losses	33 3	4 5	2 2	41 4	14 7	315 6	31 5
Provision for allocated transfer risk	0	0	0	0	0	0	0
Noninterest income							
Service charges on deposit accounts	11 0	10 8	2 9	53 2	10 7	105 0	48 5
Other noninterest income	42 8	8 5	7 8	111 3	14 9	1 423 4	111 9
Total noninterest income	53 8	19 3	10 7	164 4	25 5	1 528 4	160 4
Gains and losses on securities not held in trading accounts	–1	—		–2	2	6 3	12 4
Noninterest expense							
Salaries and employee benefits	63 9	32 0	23 1	310 8	47 5	1 762 7	213 0
Expenses of premises and fixed assets (net of rental income)	21 7	10 5	7 3	102 8	15 5	585 3	62 2
Other noninterest expense	53 9	20 9	19 1	187 8	30 0	1 169 6	134 5
Total noninterest expense	139 5	63 4	49 5	601 5	93 0	3 517 6	409 7
Income (loss) before income taxes and extraordinary items and other adjustments	38 6	23 3	15 7	206 1	25 5	1 344 5	171 9
Applicable income taxes	5 1	6 7	2 5	39 8	4 4	540 1	39 7
Income before extraordinary items and other adjustments	33 5	16 6	13 1	166 3	21 1	804 4	132 [illegible]
Extraordinary items and adjustments, net of taxes	—	0	0	5 7	0	1	[illegible]
Net income	33 6	16 6	13 1	172 0	21 1	804 5	132 [illegible]
Total cash dividends declared	8 7	9 8	2 2	65 4	6 1	395 2	44 2
Recoveries credited to allowance for possible loan losses	1 9	3 0	4	13 0	2 3	85 4	[illegible]
Losses charged to allowance for possible loan losses	14 9	4 3	1 0	32 0	13 2	341 7	16 3
Net loan losses	13 0	1 3	6	19 0	10 9	256 3	9 4

Ratio to total operating income							
Interest on deposits	48.6	41.9	46.4	47.0	51.7	51.6	43.3
Other interest expense	8.3	5.1	6.5	6.8	6.1	14.9	14.4
Salaries and employee benefits	13.1	18.6	16.2	16.9	15.1	11.4	14.0
Other noninterest expense	22.3	20.9	20.0	18.2	20.8	13.4	15.4
Total operating expenses	92.2	86.5	89.0	88.8	92.0	91.3	87.5
Ratio of net income to total equity capital (end of period)-percent	5.0	6.5	7.4	7.9	5.5	5.6	8.7

See notes at end of table

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, year ended June 30, 1984—continued

(Dollar amounts in millions)

	North Dakota	Ohio	Oklahoma	Oregon	Pennsylvania	Rhode Island	South Carolina
Number of banks	40	155	217	7	199	8	19
Interest income							
Interest and fees on loans	$100.4	$1,740.9	$712.1	$418.4	$2,472.9	$215.9	$[illegible]
Income from lease financing receivables	.4	32.7	2.0	4.5	30.2	15.6	[illegible]
Interest income on balances due from depository institutions	3.6	175.0	12.3	35.0	256.0	20.8	[illegible]
Interest and dividend income on securities	40.1	466.1	217.9	51.2	606.0	48.6	70.6
Interest income from assets held in trading accounts	0	4.3	3.9	3.3	35.3	1.2	2.6
Interest income from federal funds sold and securities purchased under agreements to resell	6.4	159.8	52.4	21.1	147.9	12.2	28.1
Total interest income	151.0	2,578.7	999.7	533.4	3,548.3	314.3	350.5
Interest expense							
Interest on deposits	94.5	1,339.9	579.9	282.4	1,902.1	185.1	156.0
Expense of federal funds purchased and securities sold under agreements to repurchase	4.5	267.9	64.6	47.7	389.5	33.4	41.6
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	.8	29.8	18.1	3.7	119.8	11.5	3.9
Interest on mortgage indebtedness and obligations under capitalized leases	.3	2.2	.7	.5	3.9	.3	.4
Interest on notes and debentures subordinated to deposits	.6	1.4	3.3	2.2	10.9	1.5	.4
Total interest expense	100.7	1,641.1	666.6	336.5	2,426.1	231.8	202.3
Net interest income	50.3	937.6	333.1	196.9	1,122.2	82.5	148.2
Provision for loan and lease losses	7.3	96.4	91.0	21.6	88.5	11.5	7.8
Provision for allocated transfer risk	0	0	0	0	2.5	0	0
Noninterest income							
Service charges on deposit accounts	4.5	79.7	31.7	28.0	70.8	5.8	19.3
Other noninterest income	5.6	229.0	59.6	49.1	263.8	57.9	24.6
Total noninterest income	10.1	308.7	91.2	77.1	334.6	63.7	43.8
Gains and losses on securities not held in trading accounts	—	−5.8	.8	—	−3.1	−.2	.2
Noninterest expense							
Salaries and employee benefits	18.5	429.3	144.2	93.6	541.1	53.9	74.3
Expenses of premises and fixed assets (net of rental income)	5.6	124.7	37.8	21.5	180.7	7.5	25.1
Other noninterest expense	14.2	292.7	103.8	59.1	348.0	46.6	42.3
Total noninterest expense	38.3	846.8	285.7	174.2	1,069.8	108.1	141.6
Income (loss) before income taxes and extraordinary items and other adjustments	14.9	297.3	48.5	78.2	292.9	26.5	42.5
Applicable income taxes	2.4	50.0	−2.5	17.6	27.0	−1.1	6.6
Income before extraordinary items and other adjustments	12.5	247.3	51.0	60.6	266.3	27.6	35.9
Extraordinary items and adjustments, net of taxes	0	6.1	1.0	0	3.8	0	0
Net income	12.5	253.5	52.0	60.6	270.1	27.6	35.9
Total cash dividends declared	2.1	72.3	17.0	21.3	107.6	8.8	[illegible]
Recoveries credited to allowance for possible loan losses	.9	86.7	10.1	5.2	20.3	12.8	1.9
Losses charged to allowance for possible loan losses	2.4	89.4	82.4	20.1	66.0	11.4	4.9
Net loan losses	1.5	2.7	72.3	14.9	45.7	−1.4	3.0

Ratio to total operating income							
Interest on deposits	58.7	46.4	53.2	46.3	49.0	49.0	39.6
Other interest expense	3.9	10.4	8.0	8.9	13.5	12.4	11.7
Salaries and employee benefits	11.5	14.9	13.2	15.3	13.9	14.3	6.4
Other noninterest expense	16.8	17.8	21.3	21.7	16.0	17.4	18.9
Total operating expenses	90.8	89.5	95.6	87.2	92.4	93.0	89.2
Ratio of net income to total equity capital (end of period)-percent	7.5	6.7	3.6	8.8	5.9	7.4	7.7

See notes at end of table

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, year ended June 30, 1984—continued

(Dollar amounts in millions)

	South Dakota	Tennessee	Texas	Utah	Vermont	Virginia	Washington
Number of banks	29	64	939	8	12	52	[illegible]
Interest income							
Interest and fee income on loans	$531.5	$537.1	$4,627.5	$205.0	$51.1	$552.1	[illegible]
Income from lease financing receivables	.1	2.9	12.8	3.2	0	5.5	20.4
Interest on balances due from depository institutions	4.2	44.0	377.5	23.1	1.2	24.6	[illegible]
Interest and dividend income on securities	48.1	168.4	882.4	29.4	8.6	121.8	104.8
Interest income from assets held in trading accounts	0	5.0	5.7	.2	.1	.6	6.9
Interest income from federal funds sold and securities purchased under agreements to resell	3.1	46.7	414.4	22.5	2.8	22.4	39.8
Total interest income	587.1	804.1	6,320.3	283.4	63.9	726.9	1,142.9
Interest expense							
Interest on deposits	232.4	415.0	3,453.9	153.1	36.9	385.7	599.3
Expense of federal funds purchased and securities sold under agreements to repurchase	77.6	82.2	865.9	23.7	1.1	48.4	73.0
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	9.7	6.6	88.5	2.5	.4	13.1	38.7
Interest on mortgage indebtedness and obligations under capitalized leases	.2	1.0	6.6	.3	0	1.3	2.9
Interest on notes and debentures subordinated to deposits	.9	.6	31.2	2.2	.3	1.6	7.1
Total interest expense	320.8	505.1	4,446.1	181.8	38.7	450.0	721.0
Net interest income	266.3	298.7	1,874.2	101.6	25.2	276.9	421.9
Provision for loan and lease losses	53.2	28.9	363.0	16.8	1.0	17.4	33.7
Provision for allocated transfer risk	0	0	0	0	0	0	0
Noninterest income							
Service charges on deposit accounts	6.4	34.6	164.0	13.0	1.9	22.4	54.5
Other noninterest income	124.7	94.0	346.0	17.9	4.0	67.5	157.3
Total noninterest income	131.1	128.6	510.0	30.9	5.9	89.9	211.8
Gains and losses on securities not held in trading accounts	—	−2.3	8.8	−.1	—	−.7	54.1
Noninterest expense							
Salaries and employee benefits	40.6	158.0	749.4	44.4	12.2	131.5	245.7
Expenses of premises and fixed assets (net of rental income)	13.7	47.0	225.3	14.3	4.0	39.2	77.8
Other noninterest expense	138.3	106.6	582.5	38.9	7.0	97.4	155.5
Total noninterest expense	192.6	311.5	1,557.1	97.5	23.2	268.1	479.0
Income (loss) before income taxes and extraordinary items and other adjustments	151.7	84.6	472.9	18.2	6.9	80.7	67.0
Applicable income taxes	67.3	16.6	63.7	−.5	1.3	11.0	5.2
Income before extraordinary items and other adjustments	84.3	68.0	408.4	18.7	5.6	69.8	61.8
Extraordinary items and adjustments, net of taxes	0	.2	−.1	0	0	0	1.5
Net income	84.3	68.3	408.3	18.7	5.6	69.8	63.3
Total cash dividends declared	5.4	25.6	77.1	9.0	1.0	21.3	16.8
Recoveries credited to allowance for possible loan losses	16.4	6.3	49.5	1.3	.2	4.4	14.9
Losses charged to allowance for possible loan losses	59.2	19.4	393.2	24.9	.6	12.0	155.6
Net loan losses	42.8	13.1	343.7	23.6	.4	7.6	140.7

Ratio to total operating income							
Interest on deposits	32.4	44.5	50.6	48.7	52.9	47.2	44.2
Other interest expense	12.3	9.7	14.5	9.1	2.6	7.9	9.0
Salaries and employee benefits	5.7	16.9	11.0	14.1	17.5	16.1	18.0
Other noninterest expense	28.6	19.6	17.1	22.3	17.2	18.9	19.7
Total operating expenses	78.9	90.7	93.2	80.1	90.1	90.0	91.1
Ratio of net income to total equity capital (end of period)-percent	11.4	6.5	5.2	5.6	7.3	7.4	5.8

See notes at end of table

Income and expenses of foreign and domestic offices and subsidiaries of national banks, by states, year ended June 30, 1984—continued
(Dollar amounts in millions)

	West Virginia	Wisconsin	Wyoming	District of Columbia nonnational*
Number of banks	99	122	56	1
Interest income				
Interest and fee income on loans	$201.3	$480.5	$ 99.0	$ 2.1
Income from lease financing receivables	.4	5.9	.1	0
Interest income on balances due from depository institutions	7.7	15.9	3.9	0
Interest and dividend income on securities	133.6	133.7	35.8	1.4
Interest income from assets held in trading accounts	.1	5.1	—	0
Interest income from federal funds sold and securities purchased under agreements to resell	26.8	23.1	8.6	—
Total interest income	369.9	664.2	147.4	3.7
Interest expense				
Interest on deposits	210.8	364.9	86.2	1.5
Expense of federal funds purchased and securities sold under agreements to repurchase	25.5	63.1	2.4	—
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	1.9	7.7	.6	0
Interest on mortgage indebtedness and obligations under capitalized leases	.3	.5	.2	0
Interest on notes and debentures subordinated to deposits	.1	.9	.3	0
Total interest expense	238.6	437.1	89.7	1.6
Net interest income	131.4	227.2	57.8	2.1
Provision for loan and lease losses	5.8	18.0	11.0	—
Provision for allocated transfer risk	0	.7	0	0
Noninterest income				
Service charges on deposit accounts	6.5	18.1	5.1	.2
Other noninterest income	13.4	62.1	5.2	—
Total noninterest income	19.9	80.2	10.3	.2
Gains and losses on securities not held in trading accounts	−.4	−1.4	—	0
Noninterest expense				
Salaries and employee benefits	50.3	109.1	21.9	.7
Expenses of premises and fixed assets (net of rental income)	13.1	30.1	6.4	—
Other noninterest expense	37.6	77.2	15.6	.7
Total noninterest expense	101.0	216.4	43.9	1.5
Income (loss) before income taxes and extraordinary items and other adjustments	44.1	70.8	12.8	.5
Applicable income taxes	5.5	14.6	2.7	.1
Income before extraordinary items and other adjustments	38.6	56.3	10.1	.4
Extraordinary items and adjustments, net of taxes	.2	—	0	.1
Net income	38.8	56.3	10.1	.6
Total cash dividends declared	8.2	16.8	2.3	0
Recoveries credited to allowance for possible loan losses	.8	3.0	1.2	0
Losses charged to allowance for possible loan losses	3.2	14.6	6.4	0
Net loan losses	2.4	11.6	5.2	0
Ratios to gross operating income				
Interest on deposits	54.1	49.0	54.7	38.5
Other interest expense	7.1	9.7	2.2	0
Salaries and employee benefits	12.9	14.7	13.9	17.9
Other noninterest expense	14.5	16.9	20.9	17.9
Total operating expenses	81.5	90.3	91.7	79.5
Rate of return on equity capital (end of period) (percent)	6.0	5.9	4.2	12.0

* [illegible] are supervised by the Comptroller of the Currency. Nonnational bank data are not included in [illegible]

[illegible] Edge Act and Agreement subsidiaries in the U.S., branches located in Puerto Rico, the Virgin [illegible] and subsidiaries located in foreign countries.

[illegible]

[illegible]

Total loans and leases past due at national banks, by states, June 30, 1984
(Dollar amounts in millions)

	Number of banks	Type of loan: Real estate	Commercial and industrial	Personal	All other	Total domestic loans*	Foreign
Reporting national banks	4,823	$9,254	$12,963	$3,424	$4,894	$32 326	$11 188
Alabama	74	52	85	42	19	220	0
Alaska	6	22	23	5	14	74	0
Arizona	7	95	125	45	73	338	20
Arkansas	74	65	41	20	40	208	0
California	147	3,149	2,420	449	1,003	7,047	2 952
Colorado	217	87	144	47	171	544	0
Connecticut	14	62	106	56	10	236	18
Delaware	14	6	5	93	1	106	0
District of Columbia	19	95	75	10	29	211	52
Florida	189	286	235	121	81	756	26
Georgia	57	81	96	57	53	300	16
Hawaii	3	0	—	1	2	5	0
Idaho	7	34	69	16	20	141	0
Illinois	403	591	2,048	205	426	3 466	1 270
Indiana	112	107	72	52	65	349	9
Iowa	102	33	7	18	68	190	2
Kansas	159	24	7	21	52	148	0
Kentucky	77	63	36	27	48	205	8
Louisiana	62	84	172	60	50	386	0
Maine	8	13	10	7	2	33	0
Maryland	25	68	65	16	9	162	35
Massachusetts	66	131	333	63	87	630	395
Michigan	122	221	222	63	100	655	21
Minnesota	198	193	283	51	197	832	105
Mississippi	34	56	35	30	19	149	0
Missouri	122	57	107	46	94	347	74
Montana	54	20	9	13	48	130	0
Nebraska	123	29	11	21	88	219	0
Nevada	5	35	20	7	2	65	0
New Hampshire	30	14	6	10	10	44	0
New Jersey	77	227	204	70	44	567	0
New Mexico	43	24	27	18	48	145	0
New York	109	707	1,423	535	299	2,988	5 310
North Carolina	18	52	101	57	77	287	26
North Dakota	40	12	—	8	28	84	0
Ohio	155	353	391	157	106	1,073	34
Oklahoma	217	116	229	47	137	682	0
Oregon	7	132	173	21	58	388	2
Pennsylvania	199	412	524	154	314	1,448	206
Rhode Island	5	27	40	16	25	111	33
South Carolina	19	21	26	18	12	81	0
South Dakota	29	15	32	171	70	307	0
Tennessee	64	83	94	51	45	294	1
Texas	939	632	1,981	197	416	3 461	377
Utah	8	133	45	20	8	208	0
Vermont	12	13	10	4	4	32	0
Virginia	52	86	41	65	26	235	[illegible]
Washington	23	268	570	64	106	1 013	188
West Virginia	99	61	16	39	25	160	[illegible]
Wisconsin	122	85	161	28	126	446	3
Wyoming	56	25	11	13	41	128	[illegible]

*Sum of Real estate, Commercial and industrial, Personal and All other past due loans and leases is less than the Total domestic because nonaccrual loans are not reported by loan type by banks filing the abbreviated Report of Condition, and as a result are counted in the total figure only.

Average national banks percent of loans past due at domestic offices, by assets

	Assets in millions of dollars									
	Less than $10	$10 to $20	$20 to $25	$25 to $40	$40 to $100	$100 to $300	$300 to $900	$900 to $5 000	$5 000 or more	All national banks
Real estate										
December 1982	4.3	4.4	4.5	4.3	4.0	4.6	4.8	5.4	6.0	4.4
March 1983	3.3	4.3	4.7	4.4	4.1	4.6	5.0	5.6	6.8	4.3
June 1983	3.1	3.9	4.5	3.9	3.7	4.0	4.3	4.6	5.5	3.9
September 1983	2.9	3.9	3.8	4.2	3.6	4.0	3.9	4.2	5.4	3.8
December 1983	2.9	3.7	4.3	4.1	3.6	4.1	3.7	4.3	5.4	3.8
March 1984	2.5	3.8	4.2	4.0	3.5	3.0	3.7	4.3	5.0	3.6
June 1984	2.2	3.9	3.4	3.6	3.3	2.7	3.4	3.6	4.8	3.3
Commercial and industrial										
December 1982	4.5	5.1	4.8	5.2	4.9	5.9	5.8	6.5	6.5	5.2
March 1983	4.5	5.1	5.3	5.1	4.9	6.0	6.4	6.6	7.5	5.3
June 1983	3.5	4.7	5.1	4.9	4.5	5.3	6.2	6.6	7.1	4.8
September 1983	4.5	4.9	5.6	4.9	4.4	5.3	6.0	6.2	7.7	4.9
December 1983	4.3	5.2	5.1	4.7	4.3	5.0	5.3	5.4	7.2	4.8
March 1984	NA	NA	NA	NA	NA	NA	5.1	6.3	6.4	5.5
June 1984	NA	NA	NA	NA	NA	NA	5.0	5.2	5.5	5.0
Personal										
December 1982	3.1	3.6	3.9	3.7	3.4	3.1	2.7	2.8	2.7	3.4
March 1983	2.6	3.6	3.8	3.5	3.3	2.9	2.7	2.8	2.4	3.3
June 1983	2.4	3.5	3.6	3.3	3.1	2.6	2.7	2.3	2.3	3.0
September 1983	2.5	3.4	3.5	3.4	3.1	2.6	2.4	2.4	2.2	3.0
December 1983	2.9	3.7	3.5	3.7	3.2	2.8	2.4	2.5	2.3	3.2
March 1984	3.4	5.6	3.5	4.1	3.2	8.6	2.1	2.2	2.4	4.5
June 1984	2.9	3.7	3.2	3.3	3.1	2.6	2.0	2.1	2.3	3.0
All other										
December 1982	3.0	3.4	3.3	3.3	3.3	3.5	3.7	3.7	4.7	3.4
March 1983	2.6	3.4	4.1	3.3	3.8	4.3	4.0	3.6	5.6	3.7
June 1983	2.1	3.0	3.9	3.1	3.2	3.7	2.9	3.4	4.5	3.1
September 1983	3.0	3.3	2.8	2.8	3.2	4.2	3.5	3.2	4.3	3.3
December 1983	3.1	3.0	2.9	3.3	3.0	3.6	3.2	2.9	4.1	3.2
March 1984	2.5	3.7	4.3	4.7	4.2	3.3	1.9	2.2	3.9	3.8
June 1984	3.4	4.0	3.7	3.7	3.7	3.1	1.9	2.0	3.6	3.5
Total loans										
December 1982	3.5	4.3	4.5	4.6	4.5	4.5	4.5	4.9	5.4	4.4
March 1983	3.0	4.5	4.9	4.8	4.7	4.6	4.9	5.1	6.2	4.6
June 1983	2.7	4.1	4.5	4.5	4.4	4.1	4.5	4.8	5.7	4.2
September 1983	2.9	4.1	4.5	4.6	4.3	4.1	4.3	4.4	5.6	4.2
December 1983	3.2	4.3	4.6	4.7	4.4	4.2	4.0	4.1	5.4	4.3
March 1984	2.9	4.4	4.9	5.1	4.7	4.1	3.9	4.0	4.9	4.5
June 1984	2.8	4.4	4.3	4.5	4.4	3.8	3.6	3.6	4.4	4.1

See notes at end of tables

Average national banks' percent of loans past due at foreign offices, by assets

	Assets in millions of dollars			
	$300 to $900	*$900 to $5,000*	*$5,000 or more*	*All national banks*
All foreign office loans				
December 1982	6.9	8.5	5.6	7.6
March 1983	11.5	8.9	5.7	8.4
June 1983	17.9	8.9	7.8	9.6
September 1983	23.2	11.2	8.9	11.2
December 1983	11.2	13.7	9.8	12.2
March 1984	7.2	8.6	8.6	8.4
June 1984	9.3	6.9	9.3	8.0

NOTES:

These figures include non-accrual and past due loan and lease financing receivables.

Past due loans—These items are (1) single payment notes 30 days or more past maturity; (2) single payment notes with interest due at specified intervals and demand notes on which interest is due and unpaid for 30 days or more, (3) amortizing real estate loans and closed-end monthly installment loans and lease financing receivables in arrears two or more monthly payments, or, if scheduled other than monthly, when one scheduled payment is due and unpaid for 30 days or more; (4) open-end credit accounts on which the customer has not made the minimum monthly payment for two or more billing cycles; and (5) unplanned overdrafts outstanding 30 days or more after origination.

Non-accrual loans—These items are (1) those maintained on a cash basis because of deterioration in the financial position of the borrower; and (2) those on which principal or interest has been in default for a period of 90 days or more unless the obligation is both well secured and in the process of collection, in which case it is considered merely past due.

Average banks' percent of loans past due—Percentages reported are averages of individual banks' percentages of loans past due with each bank accorded the same weight regardless of size; those individual bank percentages are based on dollar value of loans past due. All figures are as of the last day of the month indicated.

Loan categories—The loan categories for this table correspond to those for the report of condition except for "Other loans." "Other loans" includes loans to financial institutions, loans for purchasing or carrying securities, loans to farmers and all other loans not included in the specified categories.

Data for prior periods, based on slightly different definitions, may be found in the *Quarterly Journal*, Volume 2, Number 1, pp. 229–232.

Beginning March 1984, past due commercial and industrial loans of banks with less than $300 million in assets have been combined with all other loans.

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Northeastern District

New York District Office
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[illegible] 4250
New York, NY 10036

FTS [illegible]
Commercial [illegible]

Southeastern District

Atlanta District Office
Peachtree [illegible] Tower
Suite 2700
[illegible] Peachtree St., NE
Atlanta, GA 30303

FTS [illegible]
Commercial 404 [illegible]

Central District

Chicago District Office
Sears Tower, Suite [illegible]
233 South Wacker Dr.
Chicago, IL [illegible]

FTS [illegible]
Commercial [illegible]

Midwestern District

Kansas City District Office
911 Main St., Suite [illegible]
Kansas City, MO [illegible]

FTS [illegible]
Commercial [illegible]

Southwestern District

Dallas District Office
[illegible] Elm St., Suite [illegible]
Dallas, TX [illegible]

FTS [illegible]
Commercial 214 [illegible]

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Commercial 415 [illegible]

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